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analysis and interpretation
- the industry
- the market
- consumer behavior and attitudes

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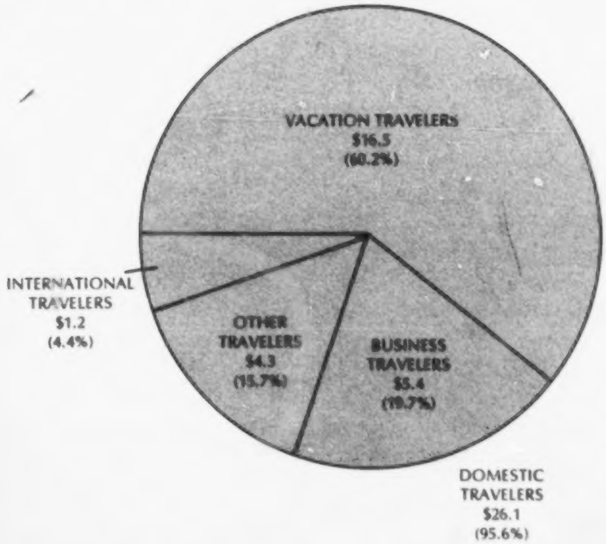
TRAVEL AND TOURISM IMPACT FOOD SERVICE INDUSTRY

Highlights

- **International and domestic travelers spent an estimated $27.3 billion on food while traveling in the United States in 1977.**
- **Upper income families account for nearly half of the total domestic travel food expenditures, with families earning between $20,000 and $24,999 accounting for 14.8 percent of the travel food dollar and families with incomes over $25,000 accounting for 34.4 percent.**
- **One and two person households account for 37.8 percent of travel expenditures for food while households with 5 or more persons account for only 22.5 percent.**

TOTAL TRAVEL FOOD EXPENDITURES, 1977: $27.3 Billion

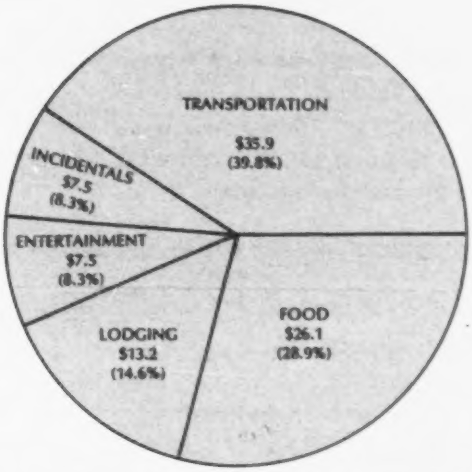


- **While automobile travelers account for more of the total travel food expenditures than do airline travelers, airline travelers spend twice as much for food on a per capita trip basis.**
- **Vacation travelers spent considerably more on food in 1977 than did business travelers, $16.5 billion versus $5.4 billion.**
- **Thirty-eight percent of the travel food expenditures occurred during the summer months of July, August and September.**

In 1977 domestic and international travelers spent an estimated $27.3 billion on food while traveling in the United States, representing a 28 percent share of total travel expenditures. Domestic travelers account for a substantially greater proportion of the travel food dollar than do international visitors as is shown in the chart on this page, although the international market is expanding rapidly. The largest contributors to the domestic travel food dollar are vacationers followed by business travelers.

Information in this report on domestic travel in the United States is form U.S. Travel Data Center's (USTDC) new study, *1977 National Travel Expenditure Study*. Data from this study on demographic characteristics, mode of transportation and season of year traveled for domestic travelers have been incorporated into our report. In addition, highlights from NRA's own consumer research as well as information from government sources have been included in this article to pinpoint the impact domestic and international travelers have on the foodservice industry.

Readers should note that expenditures for food made by both domestic and foreign travelers include food consumed at commercial eating establishments as well as food bought in grocery stores for consumption in private vacation residences and campers. NRA research studies, which are highlighted later in this report, indicate that the greatest share of this travel food dollar



**DOMESTIC TRAVEL EXPENDITURES,
1979, $90.2 Billion**

is spent in commercial eating establishments. For example, over 90 percent of business travelers eat their meals in restaurants and 70 percent of the auto vacationers eat their evening meals at commercial eating establishments. Readers should also be aware that a domestic trip is defined as a round trip of 200 miles or more.

Upscale Households Spend More When Traveling

The U.S. Travel Data Center report shows that $90.2 billion was spent in 1977 for domestic travel. Transportation expenses claim the largest proportion of these expenditures, accounting for 39.8 percent. Airline travelers, who spent $21 billion on transportation alone in 1977, account for the largest proportion of transportation expenditures and help to explain why transportation claims such a large share of the travel dollar. Food expenditures rank second and account for 28.9 percent of the travel dollar, while about 15 percent of domestic travel expenditures are for lodging and entertainment and incidentals claim 8.3 percent each.

Information from both the USTDC and the BLS shows that higher income families and smaller households tend to spend more on food when traveling in the United States. Data from the Bureau of the Census indicate that household income will continue to rise, with the current median income at over $16,000. In addition, one and two person households are a growing force, now accounting for more than half of all households. (See August 1979 *Foodservice Trends.*) Based on the travel expenditure data and demographic projections, travel expenditures for food should continue to rise.

Travel Food Expenditures by Income

Income Range	% Total Travel Dollar Spent On Food	% Share of Total Travel Food Dollar	Per-Person-Trip Travel Food Expenditures
Under $5,000	22.9%	5.3%	$36.72
$ 5,000 to $ 9,999	22.4%	11.2%	$45.05
$10,000 to $14,999	28.1%	16.5%	$39.54
$15,000 to $19,999	30.8%	17.8%	$47.99
$20,000 to $24,999	30.1%	14.8%	$46.36
$25,000 to $34,999	33.6%	20.8%	$66.40
$35,000 and over	30.2%	13.6%	$65.53

SOURCE: *1977 National Travel Expenditure Study*, U.S. Travel Data Center, July 1979.

Higher income households spend a larger proportion of their travel dollar on food than do lower income households and, as a result, account for a relatively large portion of the travel food dollar. This information together with per person trip expenditures for food is shown in the accompanying table. Families with incomes of $15,000 or more spent more than 30 percent of their travel expenditures on food, compared to 28.9 percent for all households and only 22.6 percent for households with incomes under $10,000.

In addition, the table shows that these upper income households account for a large proportion of the travel food dollar. This becomes even more significant when compared to the family income distribution in the total U.S. population. For example, families earning between $20,000 and $24,999 make up only 11.5 percent of the families in the U.S. but account for 14.8 percent of travel food expenditures. Additionally, the 18.2 percent of all U.S. families with incomes above $25,000 account for a significant 34.4 percent of the travel expenditures for food.

On a per person-trip basis, families whose incomes are more than $25,000 spent more than $60 per person on food compared to overall per capita trip food expenditures of $40.47 in 1977.

Household size also is an important factor in determining the proportion of the travel dollar spent on food. While the accompanying chart shows that one and two person households spend less for food, on a percentage basis, than the average, a look at per capita trip expenditures tells a different story. Overall, the averge amount spent on food during a trip on a per person basis was $49.47, and this compares to $49.94 for single person households and $55.11 for two person households. On the other hand, households with five or more persons spent a slightly lower $47.64 per person on a single trip. Another interesting fact concerning these smaller households is that one and two person households account for 37.8 percent of the travel food expenditures, while households with more than 5 persons account for 22.5 percent.

Information from the Bureau of Labor Statistics' (BLS) *1972-73 Consumer Expenditure Survey* further reinforces the view that higher income households and smaller households spend more on food when on vacation. Readers, however, should be aware that the BLS information pertains to spending while on vacation only, while the U.S. Travel Data Center information is for expenditures for both personal and business travel. The BLS survey showed that on an annual basis, families spent $57.32 on food when on vacation in 1972, while families earning more than $15,000 a year spent a substantially greater amount on food. As for household size, single person households spent $27.33 per person annually on food while on vacation and two person households spent $31.85 per person. On the other hand, families with five or more persons spent considerably less on a per capita basis.

Travel Food Expenditures by Household Size

	% Total Travel Dollar Spent On Food	% Share of Total Travel Food Dollar	Per-Person-Trip Travel Food Expenditures
1 Person	22.1%	8.8%	$49.94
2 Persons	28.7%	29.0%	$55.11
3 Persons	29.6%	16.7%	$46.97
4 Persons	27.4%	23.0%	$46.84
5 or more Persons	35.0%	22.5%	$47.64

SOURCE: *1977 National Travel Expenditure Study*, U.S. Travel Data Center, July 1979

Automobile Travelers Account for Most Travel Food Expenditures

The USTDC study shows that 72.3 percent of the travel expenditures for food are made by auto travelers, while only 20.0 percent are from those who travel by airplane. In comparison, 55.6 percent of total travel expenditures are derived from automobile travelers and 35.3 percent from airplane travelers. In addition, auto travelers spent a larger amount of their 1977 travel dollar on food than on transportation, $18.9 billion versus $10.7 billion. Because of the high cost of airline travel, those using this mode of travel spent nearly four times as much on transportation as on food in 1977, $21.0 billion compared to $5.2 billion. However, upper income families and smaller households are more likely to fly to their destination and will also spend more on food than lower income families and larger households who fly. The chart on this page also shows that airline travelers are very important to our industry and contribute to foodservice sales. On a per capita trip basis, airline travelers spend twice as much as auto travelers for food, $81.09 versus $43.72.

As was previously mentioned, the amount spent on food while traveling includes both food purchased in a commercial eating establishment and that purchased at grocery stores. NRA in its consumer attitude survey, "Restaurant Habits of the Long Distance Automobile Vacationer" determined that most travelers eat their meals at commercial eating establishments. This is particularly true for the three major meals each day, which is shown in the accompanying table.

Travel Food Expenditures: Auto Traveler vs. Airline Traveler

	Auto Traveler	Airline Traveler
Amount Spent on Food (bil's of dollars)	$18.9	$5.2
Percent of travel dollar spent on food	37.6%	16.4%
Per capita trip expenditures for food	$43.72	$81.09

SOURCE: *1977 National Travel Expenditures* Study, U.S. Travel Data Center, July 1979.

Percentage of Auto Vacationers Who Stop for Various Meals

	At Commercial Eating Establishments	By Purchasing Food in a Grocery Store	Do Not Eat
Breakfast	55.5%	27.5%	17.0%
Morning Snack	9.1%	12.2%	78.7%
Lunch	68.2%	6.0%	25.8%
Afternoon Snack	19.5%	16.5%	64.0%
Supper	71.7%	20.8%	7.5%
Evening Snack	8.0%	19.4%	72.6%

In addition, NRA's survey on "Restaurant Habits of the Business Traveler" showed that nearly all business travelers patronize commercial eating establishments, with eight out of ten preferring an atmosphere/specialty restaurant.

Types of Eating Establishments Patronized by Business Travelers

Type of Establishment	% of Business Travelers Patronizing
Atmosphere/Specialty	79.1%
Coffee Shop	8.5%
Family Type	7.1%
Cafeteria	1.4%
Take-Out	1.1%
Other	1.4%
Did not eat at a restaurant	1.4%

The U.S. Travel Data Center survey indicates that persons taking a vacation trip spent $16.5 billion on food in 1977 and those traveling for business or at a convention spent $5.4 billion. (Note: We define vacation travelers as those who are visiting friends and relatives and those who are sightseeing or visiting recreational areas.) Thus, the foodservice industry benefits from both vacation and business travelers.

More Travel Food Dollars Spent in Third Quarter

A look at when people travel along with how much they spend, shows that 38.2 percent of the travel food dollar is spent during the summer months of July, August and September. On the other hand, travel in the fourth quarter (October, November, December) accounts for only 17.8 percent of total travel food expenditures. An analysis of eating and drinking place sales by quarter shows that sales in the third quarter (July, August, September) account for 27 percent of total sales while those in the fourth quarter account for 25 percent. Thus, travelers help to boost eating and drinking place sales during the summer months.

Summer vacation travelers are particularly important to the foodservice industry. These travelers spent $7.0 billion on food in the third quarter of 1977, compared to only $2.9 billion in the fourth quarter. Business and convention travelers, on the other hand, spent only slightly more on food in 1977 in the third quarter than in the fourth, $1.5 billion versus $1.1 billion, as is shown in the accompanying table.

Quarterly Travel Food Expenditures Vacation Traveler Versus Business Traveler

(In billions of dollars)

Quarter	Vacation Traveler	Business Traveler	All Other	Total
First	$ 3.0	$1.4	$0.9	$ 5.3
Second	3.5	1.4	1.2	6.1
Third	7.1	1.5	1.4	10.0
Fourth	2.9	1.1	0.7	4.7
Total	$16.5	$5.4	$4.2	$26.1

SOURCE: *1977 National Travel Expenditure Study*, U.S. Travel Date Center, July 1979.

International Travelers Spend an Estimated $1.8 Billion on Food

As was stated in the beginning of this article, international visitors to the United States spent an estimated $1.2 billion on food while traveling in the U.S. during 1977. In 1979 the U.S. Travel Service, an agency of the U.S. Department of Commerce, estimates that 21 million foreigners will visit the United States and spend a total of $10.1 billion. Of this $10.1 billion, $8.7 billion will be spent on lodging, food, entertainment and transportation in the United States and $1.4 billion will be spent on transportation to the U.S. The accompanying table shows where these visitors come from, how much they spend and the proportion of their travel dollar they spend on food and lodging. Based on this information plus the proportion of the domestic travel dollar spent on food and lodging, NRA estimates that international travelers to the U.S. in 1979 will spend $1.8 billion on food, up 50 percent from 1977's $1.2 billion.

Other information from the U.S. Travel Service shows that the majority of the foreign visitors perceive the restaurants and entertainment in this country as being very enjoyable and as an important factor in their trip. Therefore, the foodservice industry is and should continue to be a prime beneficiary of the increased numbers of foreign travelers to this country.

International Travelers to the United States: 1979

	No. of Visitors	Total Expenditures*	% for Food & Lodging
Canada	12,000,000	$2,500	29%
Mexico	2,570,000	1,950	29%
Europe	2,850,000	1,720	34%
South America	820,000	700	29%
Japan	1,000,000	650	29%
Other	3,760,000	1,210	32%
Total	21,000,000	$8,730	—

*In millions of dollars and excludes expenditures for transportation to the U.S.

SOURCE: U.S. Travel Service, Department of Commerce.

NRA/GALLUP RESEARCH REPORTS ON VALUE PERCEPTION AND ESSENTIALITY OF EATING OUT

NRA's quarterly Gallup survey question reveals that consumers' overall perception of the value of meals eaten away from home compared to other goods and services has declined only slightly from June 1978 to June 1979, while incidence of eating away from home dropped as well. Overall value perception, as measured by the proportion of respondents reporting their restaurant meal was an excellent or good value, declined by 2 percentage points from June 1978 to June 1979 and incidence of eating out was off by a similar amount.

It is notable that value perception was off somewhat more for families with incomes under $15,000 than for higher income families. Families with incomes under $15,000 have been severely affected by rapidly rising prices and have changed their eating behavior most in recent months. (In an effort to pinpoint those groups of consumers who have been responsible for declines in customer traffic, an analysis of recent changes in eating out patterns emphasizing income and other contributing demographic factors will appear in the CREST Report supplement to the November 1979 issue of *Foodservice Trends.*)

NRA's quarterly survey question which has been included in the Gallup Monthly Monitor of Eating Away from Home for the past year asks: "Thinking about the price of this meal and comparing it to the prices you pay for many products and services you buy, would you say this meal represented an excellent, good, only fair or poor value for your money?" The continued percentage of excellent and good ratings versus fair and poor ratings is used as a rough measure of consumer perception of the value of his meal away from home.

The most recent survey results for June 1979 show that consumers' favorable perception of the value of restaurant meals was down 2 percentage points compared to their perception in June 1978. Approximately 57 percent of the respondents in June 1979 reported that their most recent meal consumed at a restaurant was either an excellent or good value compared to other goods and services purchased while 41 percent rated the meal away from home as only a fair or poor value. In the June 1978 survey 59 percent reported the meal away from home was an excellent or good value and 40 percent said it was only a fair or poor value.

Since we are now collecting a second consecutive year of information on value perception, we will soon be able to determine whether or not changes observed in the past year, including the 4 percentage point decline between March and June 1979 in those reporting a good or excellent value perception, are the result of a seasonal pattern.

Value of Meals Versus Other Products and Services

	Percent of Respondents				
	June '78	**Sept. '78**	**Dec. '78**	**March '79**	**June '79**
Excellent Value	16%	16%	20%	18%	16%
Good Value	43	47	38	43	41
Only Fair Value	32	26	28	29	29
Poor Value	8	9	11	7	12
Don't Know	1	2	3	3	2
Total	100	100	100	100	100

Consumers Find It More Essential To Eat Out

Despite the fact that there has been a small decline in value perception for restaurant meals over the past year, consumers are finding it more essential than ever to eat away from home. NRA's annual Gallup survey question designed to probe the essentiality of eating out versus eating at home reveals that consumers find it less convenient to prepare meals at home.

In response to the question "How convenient would it have been for you to have prepared this meal at home?," the proportion of consumers reporting that it would be "not at all convenient" rose 6 percentage points from 32 percent in June 1978 to 38 percent in June 1979. A 2 percentage point decline in the proportion of consumers indicating it is "not very convenient," however, resulted in an overall 4 point increase in those who find it less convenient to cook at home. In contrast the proportion of respondents indicating that it would be "somewhat convenient" or "very convenient" to prepare the meal at home declined 7 percentage points.

Convenience of Preparing Meal at Home Instead of Dining Out

Convenience of Preparing Meal at Home	June 1978	June 1979	Change in % Points
Not At All Convenient	32%	38%	+6
Not Very Convenient	20%	18%	−2
Somewhat Convenient	25%	18%	−7
Very Convenient	19%	19%	0
Don't Know	4%	7%	+3

REFRESHMENT PLACE SALES DOUBLE IN FOUR REGIONS

Information presented in last month's Foodservice Trends highlighted eating and drinking place sales and establishment count for all 50 states plus the District of Columbia. We are now able to present more detailed information on eating place sales by restaurant type. Readers will find in the accompanying tables, sales and establishment count data for restaurants and lunchrooms (establishments which offer table service), cafeterias, refreshment places (limited menu—fast food restaurants which do not offer table service) and other eating places (includes contract feeders as well as ice cream and frozen yogurt stands).

Sales for refreshment places, encompassing limited menu (fast food) restaurants without table service are increasing at a considerably faster pace than sales for restaurants which offer table service according to available data from the *1977 Census of Retail Trade*. The Bureau of the Census has now released detailed sales and establishment count information for eating places in twenty-seven states and five regions which is summarized in the accompanying tables. Readers are reminded that the data are for establishments with payroll only and do not include "mom and pop" operations having no paid employees. When information is available for all states we will be able to provide you with an analysis of these eating place sales in relationship to population and income growth during the 1972-77 period.

Sales at limited menu refreshment places have doubled in four of the five regions shown between 1972 and 1977, with the 146.6 percent gain for the Mountain Region being the largest. On the other hand, sales at restaurants have increased at a much slower pace in each of the five regions.

Cafeteria sales declined in three regions (New England, Middle Atlantic and East North Central), while increasing marginally in the Pacific Region and rising nearly 50 percent in the Mountain states.

The following summarizes sales and establishment count information for each of the five regions available thus far.

Eating Place Sales, 1977
Regional Summary

	NEW ENGLAND		MIDDLE ATLANTIC		EAST NORTH CENTRAL		MOUNTAIN		PACIFIC	
EATING PLACES[1]	SALES (000) 1977	% CHG. 1972-77	SALES (000) 1977	% CHG. 1972-77	SALES (000) 1977	% CHG. 1972-77	SALES (000) 1977	% CHG. 1972-77	SALES (000) 1977	% CHG. 1972-77
Total	3,171,755	69.2%	8,277,766	55.1%	10,327,683	81.2%	2,857,097	113.5%	9,652,806	94.7%
Restaurants & Lunchrooms	1,771,571	59.2%	4,565,296	40.8%	5,383,374	73.4%	1,613,518	99.1%	5,787,792	84.2%
Cafeterias	44,703	(5.3%)	157,609	(19.0%)	264,800	(17.0%)	97,304	47.7%	227,857	1.5%
Refreshment Places	912,084	83.1%	2,476,706	100.2%	3,826,544	117.9%	957,995	146.6%	3,095,935	132.0%
Other*	443,397	104.2%	1,078,155	62.9%	852,965	63.9%	188,280	156.2%	541,222	110.6%

*Other eating places include contract feeders and ice cream and frozen yogurt stands.

[1] Includes information for establishments with payroll only.

SOURCE: *1977 Census of Retail Trade*, U.S. Department of Commerce, Bureau of the Census.

NEW ENGLAND. Sales for eating places with payroll in the New England Region increased from $1.9 billion in 1972 to $3.2 billion in 1977 for a gain of 69.2 percent. At the same time, the number of establishments increased by 12.5 percent. On a percentage basis, sales for other eating places (includes ice cream and frozen yogurt stands as well as contract feeders) advanced the fastest with an increase in sales of 104.2 percent, followed by the 83.1 percent gain for refreshment places. On the other hand, cafeteria sales were down 5.3 percent between 1972 and 1977, and the number of cafeterias decreased by 4.4 percent.

Maine and New Hampshire both more than doubled their refreshment place sales during the five year period, with gains of 149.4 percent and 115.2 percent respectively. Although cafeteria sales rose in 5 of 6 New England states, they declined by 26.4 percent in Massachusetts resulting in an overall decline in cafeteria sales for the New England Region.

MIDDLE ATLANTIC. Eating place sales were up 55.1 percent in the Middle Atlantic Region between 1972 and 1977. Restaurant sales equaled $4.6 billion in 1977 and were up 40.8 percent over 1972. Limited menu refreshment place sales doubled during the five year period, while cafteria sales were down nearly 20 percent.

In two of the three Middle Atlantic states refreshment place sales more than doubled—up 124.0 percent in Pennsylvania and 117.2 percent in New Jersey. Cafeteria sales, however, declined by 38.1 percent in New York and remained relatively unchanged in New Jersey but gained 21.2 percent in Pennsylvania during the five year period.

EAST NORTH CENTRAL. Eating place sales in 1977 for the five states comprising this region equaled $10.3 billion, up 81.2 percent from 1972. Sales growth for limited menu refreshment places far outpaced that for restaurants, 117.9 percent versus 73.4 percent. Cafeteria sales declined from $319 million in 1972 to $265 million in 1977 and the number of these establishments decreased by 500.

Refreshment place sales more than doubled in all five states except Wisconsin, with the 143.6 percent gain in Indiana being the largest. In Wisconsin, contrary to the situation in most states, restaurant sales growth was slightly ahead of that for refreshment places, 93.2 percent versus 90.7 percent. Both cafeteria sales and numbers of establishments declined in all five East North Central states from 1972 to 1977.

MOUNTAIN. Eating place sales were up 113.5 percent between 1972 and 1977, from $1.3 billion to $2.9 billion in the Mountain states. Limited menu refreshment place sales were up 146.6 percent and sales for other eating places rose 156.2 percent during this five year period.

All eight states which comprise the Mountain Region have more than doubled their refreshment place sales between 1972 and 1977, with the largest gain occurring in Wyoming. In addition, restaurant sales were up more than 100 percent in Idaho and Nevada. On the other hand, cafeteria sales were down in Idaho, Utah and Nevada, but were up substantially in New Mexico, Arizona, Wyoming and Colorado.

PACIFIC. Eating place sales for the Pacific Region in 1977 totaled $9.7 billion, an increase of 94.7 percent from 1972. Sales for refreshment places increased 132 percent during the five year period, while restaurant sales rose 84.2 percent. Cafeteria sales remained relatively unchanged from 1972 to 1977.

California, with eating place sales of $7.1 billion, continues to account for most of the sales in the Pacific Region. Alaska more than doubled its sales in all categories, and Oregon and more than doubled sales for all categories except cafeterias.

Eating Place Sales by State and Restaurant Type, 1977

State	# of Establish. 1977	% Change '72-'77	Sales 000 1977	% Change '72-'77	Avg. Annual Percent Increase in Sales
NEW ENGLAND					
Maine					
Rest. & Lunch	759	10.2	131,618	71.3	11.4
Cafeterias	34	12.5	2,513	4.5	0.9
Refresh. Places	507	30.3	84,964	149.4	20.0
Other	133	18.9	16,957	43.5	7.5
New Hampshire					
Rest. & Lunch	702	26.7	142,519	113.8	16.4
Cafeterias	39	62.5	3,012	11.2	2.2
Refresh. Places	402	25.6	73,790	115.2	16.6
Other	95	67.	17,638	94.1	14.2
Vermont					
Rest. & Lunch	441	18.9	70,699	82.4	12.8
Cafeterias	20	25.0	3,895	95.5	14.4
Refresh. Places	181	19.1	27,653	87.2	13.4
Other	52	18.2	12,650	70.0	11.2
Massachusetts					
Rest. & Lunch	3,142	1.7	887,018	51.3	8.6
Cafeterias	167	(24.4)	20,149	(26.4)	(4.8)
Refresh. Places	2,436	12.1	431,203	68.1	11.0
Other	932	38.5	247,341	99.0	14.8
Rhode Island					
Rest. & Lunch	618	3.0	128,709	61.6	10.1
Cafeterias	14	(33.3)	2,407	13.1	2.5
Refresh. Places	373	12.1	60,131	52.7	8.8
Other	103	10.8	23,999	61.2	10.0
Connecticut					
Rest. & Lunch	1,747	2.9	405,008	55.2	9.2
Cafeterias	95	8.0	12,727	20.2	3.8
Refresh. Places	1,218	19.8	234,343	97.0	14.5
Other	516	53.1	124,812	152.2	20.0
MIDDLE ATLANTIC					
New York					
Rest. & Lunch	10,977	(3.0)	2,387,174	28.2	5.1
Cafeterias	456	(31.4)	76,339	(38.1)	6.7
Refresh. Places	6,345	14.4	1,149,426	79.2	12.4
Other	2,261	18.6	616,764	57.6	9.5
New Jersey					
Rest. & Lunch	3,533	10.0	932,562	47.4	8.1
Cafeterias	152	(8.4)	25,205	0.5	0.1

(cont'd on next page)

Eating Place Sales by State and Restaurant Type, 1977

	# of Establish. 1977	% Change '72-'77	Sales 000 1977	% Change '72-'77	Avg. Annual Percent Increase in Sales
Refresh. Places	2,655	35.7	505,583	117.2	16.8
Other	937	30.3	197,716	59.7	9.8
Pennsylvania					
Rest. & Lunch	5,625	4.2	1,245,560	66.0	10.7
Cafeterias	287	2.5	56,065	21.2	3.9
Refresh. Places	4,060	28.2	812,697	124.0	17.6
Other	1,297	30.6	263,675	79.6	12.4
EAST NORTH CENTRAL					
Ohio					
Rest. & Lunch	5,129	2.7	1,311,007	74.5	11.8
Cafeterias	237	(43.2)	70,157	(25.7)	(4.7)
Refresh. Places	4,541	19.6	1,049,249	111.5	16.2
Other	1,284	33.9	212,696	59.3	9.8
Indiana					
Rest. & Lunch	2,666	3.9	587,166	70.2	11.2
Cafeterias	260	(24.2)	64,708	(13.5)	(2.6)
Refresh. Places	2,474	27.7	567,526	143.6	19.5
Other	473	26.1	83,655	58.6	9.7
Illinois					
Rest. & Lunch	6,038	(1.1)	1,608,809	59.9	9.8
Cafeterias	265	(30.8)	61,304	(19.0)	(3.6)
Refresh. Places	4,621	21.7	1,101,622	127.1	17.8
Other	1,217	22.7	298,794	76.0	12.0
Michigan					
Rest. & Lunch	4,438	7.3	1,197,242	83.8	12.9
Cafeterias	198	(30.3)	58,880	(2.5)	(0.5)
Refresh. Places	3,315	14.6	774,674	110.8	16.1
Other	898	25.9	189,464	59.5	9.8
Wisconsin					
Rest. & Lunch	3,191	12.8	679,150	93.2	14.1
Cafeterias	60	(37.5)	9,751	(30.1)	(5.4)
Refresh. Places	1,685	11.2	333,473	90.7	13.8
Other	370	17.1	68,356	50.5	8.5
MOUNTAIN					
Montana					
Rest. & Lunch	634	—	120,494	91.2	13.9
Cafeterias	19	(9.5)	3,115	12.1	2.3
Refresh. Places	408	39.7	61,085	158.1	21.0
Other	46	12.2	5,818	79.1	12.4
Idaho					
Rest. & Lunch	577	1.4	121,066	114.7	16.2
Cafeterias	21	(8.7)	4,088	(18.5)	(3.5)
Refresh. Places	434	28.8	77,234	164.9	21.0
Other	47	34.2	9,683	134.1	18.6
Wyoming					
Rest. & Lunch	322	4.9	69,220	95.1	14.3
Cafeterias	16	45.4	2,063	94.2	14.2
Refresh. Places	221	43.5	38,965	180.5	22.8
Other	12	2.0	1,973	37.7	6.6
Colorado					
Rest. & Lunch	2,057	19.7	489,246	99.4	14.8
Cafeterias	131	44.0	35,816	61.4	10.1
Refresh. Places	1,240	48.3	254,735	146.3	19.8
Other	205	28.9	66,412	143.0	19.5
New Mexico					
Rest. & Lunch	753	6.7	148,222	95.9	14.4
Cafeterias	40	(13.0)	18,268	89.5	13.6
Refresh. Places	600	31.3	113,806	172.0	22.0
Other	68	38.8	14,906	132.1	18.4
Arizona					
Rest. & Lunch	1,437	22.5	364,064	86.8	13.3
Cafeterias	82	(1.0)	28,352	67.1	10.9
Refresh. Places	1,063	43.6	216,377	153.0	20.0
Other	182	41.1	65,868	222.8	26.4
Utah					
Rest. & Lunch	795	25.2	156,233	99.0	14.8
Cafeterias	30	(14.3)	3,111	(43.8)	(7.5)
Refresh. Places	638	34.9	117,855	107.0	15.7
Other	70	37.3	11,592	142.0	19.3
Nevada					
Rest. & Lunch	439	16.4	144,973	137.2	18.9
Cafeterias	18	(14.3)	2,491	(7.2)	(1.4)
Refresh. Places	325	30.5	77,935	128.7	18.0
Other	41	51.9	12,028	111.8	16.2
PACIFIC					
Washington					
Rest. & Lunch	2,413	12.6	737,384	116.4	16.7
Cafeterias	126	(28.4)	30,449	15.7	3.0
Refresh. Places	1,535	23.8	347,516	151.5	20.0
Other	204	55.7	56,132	97.9	14.6
Oregon					
Rest. & Lunch	1,750	13.0	447,978	116.6	16.7
Cafeterias	88	(44.3)	18,501	(7.5)	(1.5)
Refresh. Places	1,148	36.3	243,930	150.5	20.2
Other	170	53.2	32,085	107.1	15.7
California					
Rest. & Lunch	13,926	13.3	4,277,705	76.5	12.0
Cafeterias	757	(21.1)	169,967	(0.5)	(0.1)
Refresh. Places	10,700	23.1	2,318,985	125.0	17.6
Other	1,575	39.5	353,716	23.4	4.3
Alaska					
Rest. & Lunch	244	20.2	74,779	141.1	19.2
Cafeterias	19	137.5	3,294	261.0	29.3
Refresh. Places	153	61.0	47,456	259.5	29.2
Other	66	266.6	65,082	716.7	55.7
Hawaii					
Rest. & Lunch	633	8.4	249,946	77.9	12.2
Cafeterias	28	(36.4)	5,646	85.8	13.2
Refresh. Places	448	49.3	138,075	159.7	21.1
Other	83	20.3	34,207	37.3	6.5

NOTE: Sales and establishment data are for eating places with payroll.

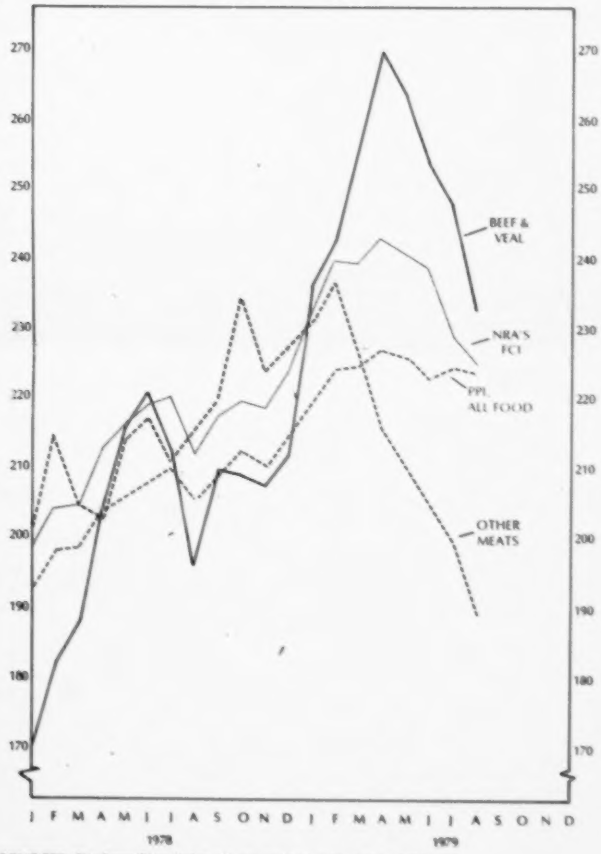
SOURCE: *1977 Census of Retail Trade*, U.S. Department of Commerce, Bureau of the Census

NRA'S FOOD COST INDEX DOWN 1.5%

NRA's Food Cost Index (FCI), which measures wholesale food costs for eating places, continued to decline for the fourth straight month in August. From July to August the FCI declined by 1.5 percent compared to a smaller decline of 0.2 percent for all food, according to the Producer Price Index. Prices for beef and veal, pork, poultry, eggs and fish were all down in August from their July levels. On the other hand, fresh fruits and vegetables, bakery products, coffee and dairy products were all higher in August than they were in July.

During the first eight months of this year, NRA's Food Cost Index has averaged 11.9 percent above the same period in 1978, while all food according to the Producer Price Index has posted a slightly lower 10.4 percent rise. However, during the past four months NRA's Food Cost Index has been declining faster than the PPI All Food. As a result the gap between the FCI and the PPI's All Food has narrowed substantially in recent months as shown in the accompanying chart. Adequate feed grain supplies as well as lower demand for some food products because of the recession will exert some downward pressure on wholesale food prices for the remainder of this year. Increased transportation and processing costs, however, will cause some wholesale food prices, particularly for processed fruits and vegetables, to rise during the latter part of this year.

NRA Food Cost Index (FCI)
Versus
Producer Price Index (PPI), All Food
(1967 = 100)



SOURCES: *Producer Price Index*, Bureau of Labor Statistics; NRA

The following portion of this report reviews the short term outlook for wholesale prices and supplies highlighting several food commodities which might be of special interest to foodservice operators.

BEEF AND VEAL. Wholesale prices for beef and veal have averaged 25.6 percent higher during the first eight months of this year compared to the same period last year. Since April, however, beef prices at the wholesale level have been declining. U.S.D.A. economists attribute this decline to the weakening economy which has lowered demand as well as to lower prices for competing meats such as pork and chicken.

The recent increase in heifer retentions (cattle kept back for breeding) and reduction in cow slaughter suggest that cattlemen are in the process of rebuilding their herds. Agriculture Department economists expect a small increase in the January 1980 cattle inventory for the first time since 1975. While this does not mean that next year's beef supplies will be up considerably over this year, prospects for larger beef supplies in 1981 are very good.

PORK. Wholesale prices for pork have been declining since February. During the first eight months of this year pork prices averaged about one percent lower than last year. Considerably larger pork supplies are the primary reason for the decline in pork prices in 1979.

U.S.D.A. economists predict pork prices will fall during the remainder of this year. Hog slaughter in the third quarter is expected to be up 20 percent over last year and fourth quarter slaughter should be 20 to 22 percent higher than the same period in 1978. Wholesale hog prices in the third quarter are predicted to range from $36 to $38 per hundredweight, down 24 percent from a year ago, and will most likely decline by a further 8 percent by the end of the year.

POULTRY. Chicken and turkey production will continue to expand during the remainder of this year. Second half output should be 14 percent above the first half and 10 percent above a year earlier. This increase in supplies together with lower pork prices has caused poultry prices to decline. U.S.D.A. economists expect chicken prices to drop to the mid- to upper 30's this fall from the July level of 43 cents per pound, a decline of 14 percent. Turkey prices have also declined as the supplies have risen.

Feed grain prices have risen recently and are expected to rise next year in spite of record crops because of foreign and domestic demand. This together with the lower prices poultry producers are receiving could cause a decline in poultry meat production in 1980 and higher broiler prices.

FRUIT. Fresh fruit prices at the wholesale level rose 10 percent between July and August because of seasonal declines in supplies. In addition, canned fruit and frozen fruit prices have risen and are expected to continue to rise because of higher processing costs.

Supplies of fresh noncitrus fruits, especially grapes, peaches and pears should be above year earlier levels. Total fresh noncitrus fruit production is predicted to be 5 percent higher than last year according to Agriculture Department statistics.

Current supplies of citrus fruits continue to decline during late summer and early fall. The Florida citrus crop is in good to excellent condition, however, which should mean increasing citrus fruit supplies in late 1979 and early 1980.

VEGETABLES. Wholesale prices for fresh vegetables rose 3.7 percent from July to August, the first such increase since early this year when cold weather and strikes adversely affected supplies. A seasonal decline in supplies of many fresh vegetables has caused this recent upward movement in wholesale prices. U.S.D.A. economists expect supplies to increase through early fall and winter for many vegetables resulting in declining prices.

Prices for both processed and frozen vegetables have been experiencing some upward movement because of the higher processing, marketing and distribution costs.

EGGS. Consumption of eggs has risen in both 1978 and 1979, and as a result egg output this year should be 3 percent above last year. Egg supplies are expected to keep pace with demand according to U.S.D.A. economists. Prices for eggs, based on the New York wholesale market, should rise about two cents a dozen in the fourth quarter to 69 cents but will still be below the 72 cents a dozen average for this year's first quarter. Overall, 1979 egg prices should be about 10 percent higher than last year, compared to a 3 percent decline in 1978. Rising demand as well as higher packaging and transportation costs are the primary reasons for the upward movement in wholesale egg prices.

Wholesale Food Price Index

	PERCENT CHANGE			
	1977-1978	Aug. 1978- Aug. 1979	8 Mos. 1978- 8 Mos. 1979	July 1979- Aug. 1979
FARM PRODUCTS	7.8%	13.4%	15.6%	(3.4%)
Fresh and Dried Fruits and Vegetables	11.6%	12.2%	7.6%	6.6%
Eggs	(7.4%)	5.5%	16.3%	(0.5%)
PROCESSED FOODS AND FEEDS	7.7%	9.2%	10.4%	(1.2%)
Cereal and Bakery Products	9.9%	11.7%	8.9%	2.2%
Meat, Poultry and Fish	18.5%	4.4%	14.4%	(5.1%)
Dairy Products	6.5%	12.8%	13.0%	3.0%
Processed Fruits and Vegetables	6.8%	10.4	11.8%	0.6%
Sugar and Confectionery	10.0%	9.0%	8.2%	1.2%
ALL FOOD[1]	10.6%	8.9%	10.4%	(0.2%)
NRA FOOD COST INDEX (FCI)	11.2%	6.5%	11.9%	(1.5%)

[1] Includes all processed foods (except soft drinks, alcoholic beverages and animal feeds) plus eggs and fresh and dried fruits and vegetables.

SOURCE: Producer Price Index, Bureau of Labor Statistics.

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ROPER REPORTS: SERVICE, SOURCE OF RESTAURANT COMPLIMENTS AND COMPLAINTS

A recent Roper public opinion survey asked respondents to identify which of 14 things they had ever done. A list of these 14 items along with response rates for each is shown in the accompanying table. Restaurateurs will be particularly interested in one of these activities—"Have you ever walked out of a restaurant because of poor service?" Thirty-seven percent of those surveyed said they had walked out of a restaurant because they received poor service. On the other hand, six out of ten indicated they had never left a restaurant because of poor service.

An analysis of the demographic characteristics of these respondents indicates that over half of the Westerners and executive/professionals and slightly less than half of the 18 to 29 age group, those with incomes over $25,000 and the college educated have left a restaurant because of inadequate service. CREST data, based on a diary panel of 10,000 families, indicate that a substantially larger proportion of sales dollars come from customers with many of the previously described characteristics. For example, 21.2 percent of the CREST families have incomes above $25,000, but these families account for 34.6 percent of the sales dollars. In addition, since CREST data indicate that customers with these characteristics frequent restaurants more often, they would be more likely to have had an opportunity to "walk out."

Restaurateurs will want to continue to place emphasis on good service since satisfied customers help to insure sales gains and increase customer counts. Good service is high on the patron's list of restaurant attributes. An NRA survey, "Measurement of Guest Satisfaction in the Foodservice Industry," shows, however, that it is the second most annoying factor about eating out, following poor food quality. While 51 percent of the respondents gave poor food quality as a most annoying factor in restaurants, 41 percent mentioned poor service.

Although NRA's survey points out that poor service is the most frequent source of complaints, good service is the most frequent source of customer compliments. In spite of the fact that the study showed customer compliments outnumber complaints by a ratio of two to one, restaurant operators will want to learn what they can from complaints. This is especially true in the area of quality of service where restaurant operators can exercise control and institute training programs to eliminate poor service. The same would not necessarily be true if the source of most complaints was rising menu prices, which are dictated by increasing costs, especially for food and labor, over which the operator has little control.

Which of the Following Have You Ever Done?

	Yes	No	Don't Know
Flown on an airplane	70%	29%	—
Been in a country other than the U.S.	52%	47%	1%
Made a speech before an audience	43%	56%	1%
Had major surgery	37%	62%	1%
WALKED OUT OF A RESTAURANT BECAUSE OF POOR SERVICE	37%	62%	1%
Received a speeding ticket	36%	63%	1%
Been a Boy Scout or a Girl Scout	35%	64%	1%
Tried marijuana	22%	77%	2%
Been in an automobile accident where someone was injured enough to be taken to a hospital	20%	79%	1%
Had your house robbed	18%	81%	1%
Been on television	17%	82%	1%
Worn contact lenses	10%	89%	1%
Had a major fire in your home	6%	93%	1%
Witnessed a crime in which one or more shots were fired	5%	93%	2%

NOTICE OF CORRECTION

Several of the figures in the chart entitled "States Which Doubled Their Eating Place Sales, 1972-1977" appearing on page 2 of the September issues of *Foodservice Trends* were incorrect. Below readers will find the correct table.

States Which Have Doubled Their Eating Place Sales, 1972-1977

1. Alaska (255.2%)
2. Nevada (125.2%)
3. Idaho (119.2%)
4. Washington (117.1%)
5. Oregon (115.5%)
6. New Mexico (115.4%)
7. North Dakota (113.6%)
8. Wyoming (112.6%)
9. Texas (111.1%)
10. Colorado (109.8%)
11. Arizona (109.6%)
12. Louisiana (106.7%)
13. Kentucky (104.3%)
14. Alabama (104.1%)
15. New Hampshire (103.9%)
16. Mississippi (102.3%)
17. South Carolina (101.9%)
18. Montana (101.9%)

Industry Index

RETAIL SALES (000,000)	Aug. 1979	Percent Change vs. Year Ago	Year to Date Aug. 1979	Percent Change vs. Year Ago
All Retailers	$75,703	+9.6%	$562,541	+10.7%
Eating & Drinking Places	$ 6,984	+7.0%	$ 50,134	+ 8.9%
Food Stores	$16,998	+14.4%	$127,142	+11.9%

(Source: Bureau of Census unadjusted data. Subject to revision.)

EATING PLACE INDICATORS (000,000)	July 1979	Percent Change vs. Year Ago	Year to Date	Percent Change vs. Year Ago
Eating Place Sales	$5,870	+ 4.5%	$37,688	+9.7%

	Percent Change vs. Year Ago	Percent Change Year to Date vs. Year Ago
Real Eating Place Sales (July)	− 6.9%	− 1.5%

(Sources: Bureau of Census, Bureau of Labor Statistics, NRA calculations. Subject to revision.)

CONSUMER PRICES (August)	Percent Change vs. Year Ago	Percent Change 1979 to Date vs. Year Ago
Food at Home	+ 9.0%	+11.5%
Food Away From Home	+11.2%	+11.2%
All Items Less Food	+12.2%	+10.4%

(Source: Bureau of Labor Statistics.)

EMPLOYMENT AND EARNINGS	June 1979	Percent Change vs. Year Ago
Total Employment	4,696,700	+6.8%
Nonsupervisory Employment	4,323,000	+6.5%
Nonsupervisory Average Hourly Earnings	$3.43	+7.9%
Average Weekly Hours	26.8	−2.5%

(Source: Bureau of Labor Statistics.)

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FOODSERVICE TRENDS

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November 1979

analysis and interpretation
- the industry
- the market
- consumer behavior and attitudes

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- **Customer Traffic Declines Shown By CREST.**
- **New Study Reveals Characteristics Of Foodservice Industry Employees.**
- ***Roper Reports:* Consumers Say Gas Shortage Curtailed Eating Out.**
- **Wholesale Food Prices Rose In September.**
- **NRA's First Sale.**

CUSTOMER TRAFFIC DECLINES SHOWN BY CREST

CREST has recently completed its fourth year and can now provide us with detailed information concerning changes in consumer eating out patterns during the past four years. The following highlights are from the most recent year ending in August 1979. (For information related to consumer behavior in the summer, June-August quarter, see the CREST Report supplement.)

—CREST sales for the commercial sector of the foodservice industry posted a gain of 10.7 percent in the year ending in August 1979, for an increase similar to the 10.8 percent gain occurring in the year ending August 1978.

—Customer traffic actually declined by 1.1 percent from the third to the fourth CREST year, exerting a negative effect on sales. The decline in customer count was centered in the spring and summer quarters when traffic was down 2.4 and 9.1 percent respectively.

—The recent 10.7 percent gain in sales is attributed to an increase in average check size per eater, which was up 12.1 percent. Thus real sales declined by about 1.4 percent.

—The decline in customer traffic was due primarily to fewer families eating out in the most recent year. As some families dropped out of the market, the proportion of families eating out during a two week period moved downward from 79.20 percent in the year ended August 1978 to 78.45 percent in the year ended August 1979.

—Among those families who did eat out in the most recent year, however, number of occasions during a two week period was 9.00, similar to the 8.98 figure for the year ending August 1978.

—As customer traffic declined in the fourth CREST year, children seem to be the restaurant patrons most likely to be affected. While the number of parties comprised of adults only remained unchanged from the previous year, the number of occasions at which children were present declined more than 4 percent.

Additional information from the most recent CREST year concerning meal occasions, restaurant types and the fastest growing food and beverage items will appear in future issues of *Foodservice Trends*.

CREST Sales Components

Annual Comparison[1]
(September-August)

Eater Occasions		**Percent Change**
'76-'77	840.1 million	
'77-'78	872.7 million	+ 4%
'78-'79	862.3 million	− 1%
Eater Check Size (excluding tip)		
'76-'77	$1.86	
'77-'78	$1.99	+ 7%
'78-'79	$2.23	+12%

CREST Components of Customer Traffic

Percent of U.S. Families Eating Out		
'76-'77	78.72%	
'77-'78	79.20%	
'78-'79	78.45%	
Occasions for Families Eating Out		
'76-'77	8.97	
'77-'78	8.98	*
'78-'79	9.00	*
Average Party Size		
'76-'77	1.93	
'77-'78	1.98	+ 3%
'78-'79	1.97	*

*Less than 1%.

[1] Based on two week period.

NEW STUDY REVEALS CHARACTERISTICS OF FOODSERVICE INDUSTRY EMPLOYEES

Highlights

- **Over half of those employed in the foodservice industry work in eating and drinking places and one-fourth are employed as foodservice workers in institutions.**
- **Teenagers and women are especially prominent in the foodservice industry. Nearly one-fourth of industry employees are teenagers and 66 percent are women.**
- **Household incomes of foodservice employees compare favorably with U.S. averages. Approximately 56 percent of households having a foodservice employee report incomes of $12,000 or more compared to 52 percent of all U.S. households.**
- **Nearly thirty-five percent of foodservice employees work in service staff positions such as waiter/waitress or food counter worker.**
- **Thirty-one percent of those who work in the foodservice industry are employed in managerial and administrative positions.**
- **The foodservice industry employs nearly equal numbers of full-time and part-time workers.**

A recent survey conducted for the NRA by National Family Opinion (NFO), an independent research organization, has provided us with some useful information on the characteristics of foodservice industry employees such as where they are employed, what they do and who they are. This information is intended to supplement and expand on information provided by the Bureau of Labor Statistics. Readers may refer to the box on page 11 for background information on this survey and how it was conducted.

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Slightly more than half (54 percent) of the foodservice industry's employees work for establishments commonly referred to as eating and drinking places. In addition, 25 percent of the industry's employees work in institutions such as hospitals, schools and colleges, and 13 percent are employed in foodservice facilities at commercial establishment such as department and drug stores, hotels and motels and recreational and sports centers. This information is summarized in the following table.

Foodservice Industry Employment

Type of Facility	Percent of Employment
Eating and drinking places	54%
Other commercial establishments	13%
Institutions	25%
Unclassified	8%

Prominent Foodservice Industry Employees: The Young and Women

A look at the table on page 3 shows that the typical foodservice employee differs in some respects from the average U.S. worker. Of particular interest is that foodservice industry employees tend to be substantially younger and are more likely to be female than the overall U.S. work force. The foodservice industry provides jobs with sufficient flexibility to meet the needs of both teens and working wives because work can be scheduled to fit in with other commitments, and number of hours can be adjusted to meet individual needs.

Nearly one-fourth of all industry employees are teenagers (ages 16 through 19), while only 9 percent of the total U.S. labor force is comprised of teens. The foodservice industry is the largest single employer of these young people, with one out of every five employed teens working in the foodservice industry. Thus, our industry is an important source of job opportunities for young workers.

Sixty-six percent of foodservice industry employees are women, compared to only 42 percent of the total U.S. labor force. Our industry offers women a wide variety of openings, not only in service and support positions but also in the managerial field. Over half (52 percent) of those holding managerial or supervisory level jobs in foodservice are women, well above the proportion of females (23 percent) in all managerial and administrative jobs.

Profile of Foodservice Industry Employees

	Foodservice Industry Employees			Total U.S. Labor Force
	Total	Male	Female	
Age of Employee				
16-19	24%	30%	21%	9%
20-24	14	20	11	15
25-34	18	21	17	26
35 +	44	30	52	50
Sex of Employee				
Male	34%	—	—	58%
Female	66	—	—	42
Annual Household Income				**Total U.S. Households**
Under $7,000	21%	16%	24%	28%
$ 7,000-$11,999	24	21	25	19
$12,000-$14,999	12	13	11	10
$15,000-$19,999	19	23	16	15
$20,000 +	25	28	24	27
Household Size				
1 Person	12%	11%	12%	22%
2 Persons	16	18	16	31
3 Persons	18	13	20	17
4 + Persons	54	58	52	30

Sources: NRA; Bureau of Labor Statistics.

Foodservice Employee's Family Income Compares Favorably With U.S. Average

Although the foodservice industry is often referred to as "low paying" it is notable that industry employees' household incomes compare favorably with those of all U.S. households, as is shown in the previous table. Fifty-six percent of the households to which foodservice industry employees belong report incomes of $12,000 or more, a slightly larger proportion than the 52 percent of all U.S. households earning more than $12,000. In addition, a smaller proportion of households with foodservice workers had incomes under $7,000 than was the case for all U.S. households, 21 percent versus 28 percent.

Foodservice workers are primarily from larger households, with over half (54 percent) belonging to households with four or more persons. On the other hand, only 12 percent are from single person households and 16 percent from two-person households.

These findings concerning teens, women and income support the results of an earlier study conducted for the NRA by Data Resources, Inc. concerning the impact of the minimum wage on the restaurant industry. That study showed that additional income from minimum wage increases in our industry frequently goes to middle and upper income households. The reason for this is that large numbers of teenagers and wives employed by the restaurant industry are supplementing other sources of household income.

Service and Support Staff Employment Predominates

Foodservice industry employment has been divided into four major categories for discussion purposes. These categories include service staff (those involved with serving customers), support staff (those involved with food preparation), maintenance workers and management and administrative staff.

The service staff, identified by occupation in the table on page 4, accounts for 35 percent of total industry employment. Females are more likely than males to be part of the service staff, with 89 percent of the waiter/waitresses and 81 percent of the food counter workers being female. On the other hand, bartenders are more likely to be male.

Nearly 28 percent of foodservice employees are classified as support staff, with most of these workers falling into the cook/chef category. Although male employees are far more likely to be among the support staff rather than the service staff (36.5 percent versus 24.5 percent), they are still outnumbered in all but two occupations shown. More men than women are employed in the industry as dishwashers and butcher/bakers; however, women outnumber men in each of the other support staff positions including the cook/chef category.

Our recent survey shows that service and support staff account for nearly 63 percent of foodservice industry employment.

Managerial and Administrative Workers Important To The Foodservice Industry

Managerial and administrative foodservice workers are an important part of our industry and account for 31.2 percent of our total industry's employment. Included in this group are those who classify themselves as management or supervisory level employees as well as cashiers and clerical workers. Again, women outnumber men by a ratio of two to one, primarily because of their predominance as menu planners, clerical workers and cashiers. While managers and supervisors are nearly equally likely to be male or female, a much larger proportion of male foodservice workers fall into this category than female workers, 28.9 percent versus only 15.9 percent.

Maintenance staff workers in the foodservice industry account for only slightly more than 2 percent of our total employment. Men predominante in this category with twice as many males as females employed as maintenance workers. Although the number of maintenance personnel may seem low in comparison to the number of establishments where meals and snacks are served, it should be kept in mind that employees in other positions may also do maintenance work, and institutions have their own maintenance forces who are not considered as working in the foodservice industry.

Four Major Occupations Dominate Industry

The major occupations, accounting for two-thirds of the foodservice industry employment, include waiters and waitresses, cooks and chefs, managers and supervisors and food counter workers. The accompanying table summarizes the differing characteristics of employees in these positions.

Foodservice Industry Employment by Occupation and Sex

	% of Total Emp.	% Male	% Female	% of All Male Emp.	% of All Female Emp.
Service Staff	34.7%	24.0%	76.0%	24.5%	40.0%
Waiter/waitress	22.4%	10.6%	89.4%	7.1%	30.3%
Food Counter/ Fountain	6.5%	19.0%	81.0%	3.7%	8.0%
Bus person	1.1%	81.5%	18.5%	2.7%	0.3%
Host/Hostess	0.8%	26.8%	73.0%	0.6%	0.8%
Bartender*	3.9%	90.3%	9.7%	10.5%	0.6%
Support Staff	27.9%	44.0%	55.4%	36.5%	23.4%
Cook/Chef	16.6%	42.2%	56.8%	20.8%	14.3%
Dishwasher	3.3%	75.1%	24.9%	7.4%	1.2%
Butcher/Baker	2.7%	78.4%	21.6%	6.2%	0.9%
Food Prep.	1.9%	19.5%	80.5%	1.1%	2.3%
Kitchen Aid	1.0%	11.0%	88.8%	0.3%	1.3%
Others	2.5%	9.3%	90.7%	0.4%	3.4%
Maintenance Staff	2.4%	66.4%	33.6%	4.7%	1.2%
Management/ Administrative Staff	31.2%	35.2%	64.8%	32.7%	30.6%
Manager/ Supervisor	20.2%	48.1%	51.9%	28.9%	15.9%
Cashier	3.4%	5.4%	94.5%	0.6%	4.9%
Clerical	4.4%	12.1%	87.9%	1.6%	5.8%
Sales/Burger	1.5%	34.8%	65.2%	1.6%	1.6%
Menu Planner/ Nutritionist	1.6%	—	100.0%	—	2.5%
All Others/No Answer	3.8%	13.8%	79.2%	1.6%	4.8%
Total	100.0%	33.6%	66.0%	100.0%	100.0%

*Bartenders working in establishments where no food is served are not included.

Demogrpahic Profile for Selected Foodservice Occupations, 1978

	Cook/ Chef	Waiter/ Waitress	Food Counter Worker	Managers/ Supervisors
Age				
16-19	22%	27%	52%	7%
20-24	14	15	18	16
25-34	17	20	9	20
35 +	46	38	21	57
Sex				
Male	42%	11%	19%	48%
Female	57	89	81	52
Household Income				
Under $7,000	24%	26%	16%	20%
$ 7,000-$11,999	29	26	13	24
$12,000-$14,999	10	12	18	7
$15,000-$19,999	19	20	12	18
$20,000 +	18	17	41	31
Household Size				
1 Person	9%	7%	4%	15%
2 Persons	19	18	4	17
3 Persons	16	17	23	22
4 + Persons	51	57	68	46

The majority of the food counter-fountain workers are likely to be employed by fast food outlets. Eight out of ten such workers are female, and half are teenagers. In addition, seven out of ten are from households with incomes above $12,000, and 41 percent belong to households with annual earnings of $20,000 or more. It is obvious, therefore, that these foodservice workers come from families where one or both parents work.

Eighty-nine percent of those employed in the waiter/waitress category are female compared to only 11 percent who are male. The largest proportion, 38 percent, of these workers are over 35 years old; however, teens are also likely to be waiters or waitresses with 27 percent of these workers being between the ages of 16 and 19. About half of all those in the waiter/waitress category belong to families whose incomes are in excess of $12,000.

Males are much more likely to be cooks or chefs than they are waiters or food counter workers (42 percent versus 11 percent and 19 percent respectively); however, more than half (57 percent) of all cooks and chefs are women. Foodservice workers in this occupation are more likely to be older, with 46 percent 35 years or older compared to 22 percent who are teenagers. The largest proportion of cooks, 29 percent, report family incomes of $7,000 to $11,999; however, 19 percent have

(continued on page 11)

NATIONAL
RESTAURANT
ASSOCIATION

CREST REPORT

Quarterly Supplement to
Foodservice Trends

CREST Highlights

- **Industrywide Traffic Down 9%, Worst Decline in Four Years.**
- **CREST Study Helps Determine Which Families Are Eating Out Less.**
- **What Is CREST?**

INDUSTRYWIDE TRAFFIC DOWN 9%, WORST DECLINE IN FOUR YEARS

Restaurant customer traffic continued to weaken through the Summer Quarter (June, July, August) according to the most recent information from CREST. The initial downturn in traffic experienced during the months of March, April and May of 2.4 percent deepened in the Summer Quarter to 9.1 percent. This is the most severe decline experienced in CREST's four year history. The prevailing economic conditions and curtailing of vacation plans had led us to expect a decline from the preceeding Summer's record performance; however, the degree of softness within the industry is put into perspective when it is noted that the number of meals and snacks served by the commercial segment this Summer did not surpass that of two years ago.

While actual monthly traffic figures for June, July and August was not available from CREST, CREST was able to ascertain that the most severe drop in restaurant customer traffic occurred in late July and early August. During the latter part of August, however, customer traffic at restaurants began to improve. Preliminary retail sales figures for eating and drinking place sales in September show that in all probability the restaurant industry has continued to experience a recovery.

Fewer Families Eating Out and Eating Out Less Often

The softness in customer traffic in this recent quarter is due primarily to a dramatic decline in the number of times each restaurant patron family actually goes to a restaurant (visit frequency). This component had been increasing, although at a declining rate, in each of the previous four quarters. During the Summer Quarter, however, visit frequency was down 7.4 percent, accounting for more than three-fourths of the drop in total customer traffic.

In addition, the number of families eating out (family reach) also declined, compounding the adverse effect on traffic. The total number of families visiting a restaurant in the two week period declined by 3.4 percent from the same quarter last year. Penetration, defined as percentage of families reached, dropped in every income bracket, with the most severe loss coming from the lowest income families. This would seem to imply that inflation is driving these families out of the market. (See following article in the *CREST REPORT* on the demographic analysis of families who eat out.)

CREST
Components of Eater Occasions

# Families Reached	**Sept.-Nov.**	**Dec.-Feb.**	**March-May**	**June-Aug.**
'76-'77 % Change	+ .1%	−5.1%	− .6%	+1.4%
'77-'78 % Change	−1.1%	+1.3%	+2.5%	+1.9%
'78-'79 % Change	+1.3%	+ .6%	−1.8%	−3.4%
Visit Frequency (Occ./Eating Out Hld.)				
'76-'77 % Change	−9.8%	−9.6%	− .4%	−2.1%
'77-'78 % Change	−4.0%	−1.5%	−3.5%	+8.0%
'78-'79 % Change	+6.3%	+4.4%	+ .3%	−7.4%
Average Party Size (Persons/Occasion)				
'76-'77 % Change	−2.1%	+3.9%	+1.6%	+2.9%
'77-'78 % Change	+4.3%	+4.3%	+4.8%	−1.4%
'78-'79 % Change	−1.6%	− .5%	−1.0%	+1.4%

NOTE: Based on Total U.S., average 2 week period each quarter.

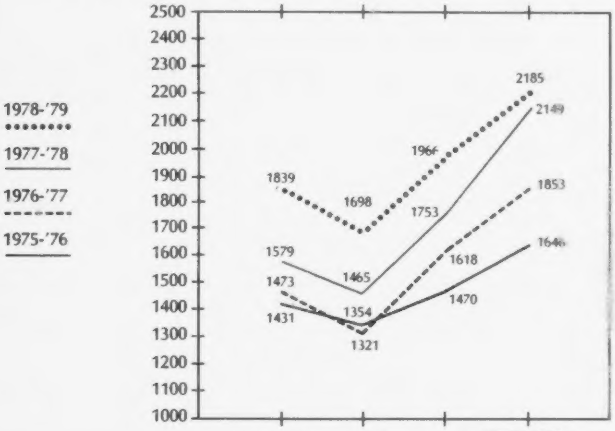
Restaurant Sales up Only 1.7%

The severity of the restaurant industry's decline is further substantiated by looking at the recent trend in dollar sales. Sales were up only 1.7 percent in 1979's Summer Quarter over the same quarter in 1978, the smallest gain in eleven quarters and a significant departure from the 15 percent average sales growth experienced in the preceding four quarters.

The following chart shows that average check size per eater was up 11.7 percent in the Summer Quarter over the same period last year. This is the third straight quarter in which the average check size has risen at double digit rates; however, the rate of increase in this

Total Restaurant Dollar Sales— National Average 2 Week Period Each Quarter

Qtr. Periods	Fall Sept.-Nov.	Winter Dec.-Feb.	Spring March-May	Summer June-Aug.
Dollars Mils.				
All Restaurants				
1975-'76	1431	1354	1470	1646
1976-'77	1473	1321	1618	1853
1977-'78	1579	1465	1753	2149
1978-'79	1839	1698	1966	2185



Percent Change Versus Year Ago.	+ 3.0%	− 2.4%	+10.1%	+12.6%
	+ 7.2%	+10.9%	+ 8.3%	+16.0%
	+16.5%	+15.9%	+12.1%	+ 1.7%

most recent quarter was below that experienced in the previous quarter, 11.7 percent versus 14.4 percent. Menu price increases, according to Consumer Price Index data, have been in the 11 percent range so far this year. Thus, much of the rise in average check size per person can be attributed to rising prices rather than an increase in the number of items ordered.

A comparison of the trends in eater occasions versus average check size per eater shows the continuing deterioration in the customer traffic component. Even with a slightly reduced rate of check size increase from the Spring Quarter, the decline in restaurant customer traffic was not slowed; in fact, it worsened. Gas shortages which affected much of the country together with a rate of price increase in excess of that for food at home during the Summer Quarter most likely curtailed consumers' willingness and ability to eat out.

Promotional Activity Increased in Summer Quarter

In an attempt to slow the decline in customer counts experienced by the industry in the Spring Quarter, operators offered consumers some price relief in the form of promotions. As shown in the following chart, it is normal for consumer promotional usage to decline substantially from the Spring to Summer Quarter; however, this Summer promotion usage by consumers on 6.4 percent of occasions was the highest for any Summer Quarter to date and only slightly below Spring's 6.7 percent. In addition, the 0.8 point change in usage from Summer '78 to Summer '79 was the largest year-to-year change ever reported by CREST.

Percent of Family Occasions Involving a Promotion

	Fall Sept.-Nov.	Winter Dec.-Feb.	Spring March-May	Summer June-Aug.
Year 2 ('76-'77)	6.5%	7.2%	6.8%	5.8%
Year 3 ('77-'78)	6.8%	7.4%	7.3%	5.6%
Year 4 ('78-'79)	7.3%	7.7%	6.7%	6.4%

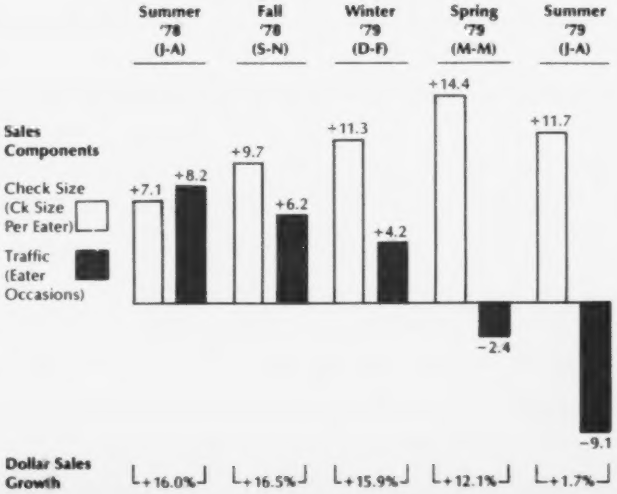
NOTE: Based on total U.S., average 2 week period.

Restaurant deals and promotional activity have played an important role for the industry, and were especially prevalent at the supper meal and at higher priced restaurants. Promotional activity increased most sharply on supper occasions where 10 percent of the meals were purchased via a promotion. Among perceived restaurant types, Atmosphere/Specialty types posted the largest increase in promotional meal purchases.

Snacking Occasions Suffer Largest Decline

The overall decline in customer traffic which affected the industry during the Summer Quarter did not affect

Contribution of Primary Sales Components to Sales Growth (Percent Change From Prior Year)



all meal periods equally. Snacking occasions at restaurants, which are the most discretionary of all eating occasions, suffered the largest decrease from last Summer's Quarter with a 10.8 percent drop. Lunch traffic, which had held up fairly well through the Spring, declined at a slightly faster rate than overall restaurant traffic in this most recent quarter, 9.7 percent versus 9.1 percent. We believe that this relatively poor performance for lunch traffic can be explained in part by the limited use of promotions for the luncheon meal as well as a leveling off in the number of persons employed which occurred during the later summer months. Breakfast customer count, which was subject to considerable growth last year, has, for this second straight quarter, performed as weakly as the industry in total.

Supper traffic in the Summer Quarter as in the previous quarter held up better than traffic for other meal occasions. As shown in the accompanying table, customer count for the supper meal was down a relatively small 6.6 percent. We believe that several factors have combined to produce this effect. First, because the gasoline shortage forced many families to postpone or curtail their vacation plans, supper away from home may have become a substitute form of entertainment. Second, the use of promotions were highest for the supper meal, most likely boosting supper customer count. Third, higher priced restaurants performed better overall than other types of restaurants, and they usually have supper as their main appeal.

Number of Occasions by Meal Period

Meal	Occasions (Millions) J-J-A '78	Occasions (Millions) J-J-A '79	Percent Change
Breakfast	74.7	67.5	− 9.0%
Lunch	372.7	336.4	− 9.7%
Supper	388.0	362.2	− 6.6%
Snacks	246.2	219.6	−10.8%
Total*	1,090.4	991.7	− 9.1%

*Includes unspecified meal occasions.

Hamburger Share of Restaurant Sales Continues to Decline

The following table compares data on customer traffic, sales dollars and average check size in the most recent quarter with that for the same quarter last year for seventeen restaurant categories. Of the 17, thirteen served fewer customers in the Summer Quarter of 1979 than in the same quarter in 1978. A larger than average rise in prices helps to explain why many of the restaurant categories suffered large drops in customer traffic. For example, hamburger restaurants had increases in average check size of 12.8 percent compared to an industry average of 11.6 percent. Customer count at hamburger restaurants was off 12.6 percent, considerably higher than the 9.1 percent decline for all restaurants. On the ohter hand, full menu restaurant prices were up only 7.9 percent, and they experienced less than a one percent decrease in traffic.

Restaurant Category Analysis

	Share of Total Industry Dollars		Percent Change from Prior Year Quarter		
	Jun/Aug '78	Jun/Aug '79	Dollars	Traffic	Avg. Check
Total Restaurants	100.0%	100.0%	+ 1.7	− 9.1	+11.6
Hamburger	16.1	15.6	− 1.6	−12.6	+12.8
Other Sandwiches	1.8	2.0	+16.4	+ 8.5	+ 7.7
Budget Steak	2.7	2.5	− 4.9	−17.4	+15.0
Full Menu	28.3	29.7	+ 7.0	− .7	+ 7.9
Pancake	.6	.6	+11.3	+ 2.2	+ 8.9
Pizza	6.3	7.0	+13.5	− 1.7	+15.1
Fish	5.6	5.3	− 4.2	−16.1	+13.9
Chicken	4.4	4.5	+ 4.1	− 9.0	+14.1
Mexican	2.6	2.6	+ 3.3	−15.8	+23.2
Chinese	2.8	2.8	+ 1.3	− 9.9	+12.5
Ice Cream	3.3	3.0	− 6.3	−14.4	+10.5
Donut	.7	.6	−12.9	−20.6	+10.3
Pie	.1	.2	+71.9	+22.9	+37.8
Hotel	6.1	5.7	− 4.7	−15.7	+12.9
Cafeteria	3.4	3.5	+ 3.0	− 6.8	+10.6
Retail Stores	2.2	3.4	+56.2	+31.5	+18.7
Unclassified	13.1	10.9	−15.3	−27.5	+17.0

CREST STUDY HELPS TO DETERMINE WHICH FAMILIES ARE EATING OUT LESS

The restaurant industry experienced a slip of 2.4 percent in customer traffic during the Spring Quarter, March-May 1979, followed by a much larger decline of 9 percent in the Summer Quarter. During the most recent June-August 1979 quarter, CREST data show that not only are fewer families eating out but those who are continuing to eat away from home are going to restaurants less frequently.

The 9 percent drop in customer traffic this summer was the result of a decline of 3 percent in the number of families eating out as well as a 7 percent decline in the number of visits to restaurants. The drop in traffic during the spring quarter was due entirely to fewer families eating out, however. In an effort to ascertain which families are eating out less, the NRA commissioned CREST to do a special analysis of the data it collects.

CREST information is helpful in pinpointing which family types are most responsible for these declining customer counts and identifying those families that have withdrawn from the market as well as those who have cut back on spending for meals away from home. NRA believes that this analysis should be useful to operators in designing and directing current advertising and promotional efforts.

Although all consumers responded to the rising inflation rate and gasoline shortage this past summer, some made greater shifts in their behavior than others. Two measures, penetration and dollar return, are used here to identify behavior changes made by families. Penetration refers to the proportion of families in a specific demographic group who visited a restaurant at least once in the two week period. Dollar return refers to the average dollars spent for all visits to restaurants by families who dined out. Family income, family size, age of the restaurant patron and residence of patrons have been used here to analyze behavior changes.

CREST
Demographics—Family Income
Total U.S.
Avg. 2 Weeks, June-August

	Percent All	Industry			
Family Income	**Families**	**Penetration****		**Dollar Return***	
All Incomes					
1978	100.0%	82.3%		$42.09	
1979	100.0%	79.4	*−3%*	44.30	*+5%*
Less Than $10,000					
1978	25.3	68.6		26.53	
1979	22.1	63.1	*−8*	28.52	*+8*
$10,000-$14,999					
1978	19.7	82.7		34.86	
1979	18.6	77.5	*−6*	34.76	*NC*
$15,000-$19,999					
1978	18.6	84.5		40.55	
1979	17.5	82.8	*−2*	41.24	*−2*
$20,000-$24,999					
1978	15.3	88.2		46.45	
1979	16.0	85.0	*−4*	47.56	*+2*
$25,000+					
1978	21.2	91.6		60.36	
1979	25.8	88.6	*−3*	59.90	*−1*

*Avg. dollars spent for all visits to the Industry per family reached.

**Pct. of Families in each group who visited a restaurant at least once in the 2 wk. period.

Upper Income Families Cut Back Spending

All income groups are behaving differently now than they did during the summer of 1978. The accompanying table shows that there has been some fall off in penetration or the percentage of families eating away from home in each family income segment. Those families with incomes under $15,000 were more likely than upper income families to drop out of the market completely, however. The proportion of families eating away from home declined 5 percent for those having incomes under $10,000 and 6 percent for those in the $10,000 to $14,999 class compared to more modest declines for those with incomes above $15,000. Similarly in the spring quarter lower income families were those who dropped out of the market while those with income above $15,000 maintained their level of restaurant spending.

Coming as a surprise in the June-August period, after viewing behavior this spring, is the cutback in share of food requirements satisfied at restaurants by families, especially those in the highest income group. Although families with incomes of $25,000+ spend more than twice as much money at restaurants as the lowest income group, their dollar expenditure declined 1 percent from the previous summer. When menu price increases averaging more than 11 percent are taken into consideration, we see that upper income families cut their expenditures at restaurants by more than 12 percent in real terms. Thus, the families who have the

CREST
Demographics—Family Size
Total U.S.
Avg. 2 Weeks, June-August

	Percent All	Industryt			
Family Size	**Families**	**Penetration****		**Dollar Return***	
All Families					
1978	100.0%	82.3%		$42.09	
1979	100.0	79.4	−3%	44.30	+5%
2 Members					
1978	38.1	81.2		36.72	
1979	38.6	76.7	−6	37.62	+2
3-4 Members					
1978	42.7	83.6		43.54	
1979	42.9	81.7	−2	46.02	+6
5+ Members					
1978	19.2	81.4		49.40	
1979	18.5	79.5	−2	53.66	+9

*Avg. dollars spent for all visits to the Industry per family reached.

**Pct. of Families in each group who visited a restaurant at least once in the 2 wk. period.

greatest cushion against the ravages of inflation and at first glance seem to be least likely to change their behavior reduced their spending a little more than any other income group. One explanation may be that these families are concentrated in large metropolitan areas where fuel shortages intensified the restaurant industry's problems this past summer.

Small Families Change Behavior

It is notable that small families have changed their behavior more than large families. More two member families were out of the market this past summer while those continuing to eat out made a deeper cut in their expenditures for food away from home than have large families.

There was a 6 percent decline in the proportion of two member families eating out during the summer quarter compared to only a 2 percent decline for larger families. In addition, dollars spent per family rose only 2 percent for small families indicating a real decline in expenditures of more than 9 percent when spending is adjusted for rising menu prices. (See Table on page 8.)

CREST
Demographics—Age of Eater
Total U.S.
Avg. 2 Weeks, June-August

	Percent All Eaters	Industry Penetration**		Industry Dollar Return*	
Total U.S.					
1978	100.0%	70.5%		$14.75	
1979	100.0	68.1	−3%	15.62	+6%
Under 6					
1978	9.8	64.8		8.36	
1979	9.8	62.9	−3	8.46	+1
6-12					
1978	14.3	67.1		8.90	
1979	14.0	66.5	−1	9.65	+8
13-17					
1978	9.1	62.0		10.51	
1979	9.1	61.2	−2	10.91	+4
18-24					
1978	8.6	62.3		15.14	
1979	8.0	62.4	NC	15.38	+2
25-34					
1978	17.5	77.0		16.53	
1979	18.0	73.1	−5	17.39	+5
35-49					
1978	17.7	77.3		16.73	
1979	17.8	74.3	−4	18.10	+8
50-64					
1978	15.5	75.1		18.96	
1979	15.4	70.5	−6	19.69	+4
65+					
1978	7.5	63.9		14.97	
1979	7.9	61.0	−4	16.29	+9

*Avg. dollars spent for all visits to the Industry per eater reached.

**Pct. of Families in each group who visited a restaurant at least once in the 2 wk. period.

Two Age Groups Most Affected

Two of the eight age groups of restaurant customers have changed their behavior most. The proportion of families eating out or penetration was cut most for eaters 50 to 64 years of age and those 25 to 34. Dollar return per eater was most affected for those 18 to 24 and those under 6, on the other hand.

A further analysis of age groups by family income, which is currently being done at NRA's request and which will be highlighted in an upcoming issue of Foodservice Trends should further illuminate these behavior changes.

Behavior Differs In Metro Areas

The gasoline shortage, added to pressure from spiraling inflation, hit particularly hard in large metropolitan areas. As a result of the gasoline shortage, driving behavior during the summer was modified, fewer miles

CREST
Demographics—Market Size
Total U.S.
Avg. 2 Weeks, June-August

Market Size	Percent All Families	Industry Penetration**		Industry Dollar Return*	
Total Industry					
1978	100.0%	82.3%		$42.09	
1979	100.0	79.4	−3%	44.30	+ 5%
2.5MM+					
1978	18.6	86.3		50.94	
1979	18.8	81.9	−5	53.44	+ 5
1-2.5MM					
1978	20.3	82.7		44.36	
1979	19.1	81.4	−2	47.92	+ 8
Under 1MM					
1978	33.0	84.5		42.09	
1979	33.0	81.0	−4	42.98	+ 2
Out of SMSA					
1978	28.1	76.7		33.74	
1979	29.0	74.4	−3	36.97	+10

*Avg. dollars spent for all visits to the Industry per family reached.

**Pct. of Families in each group who visited a restaurant at least once in the 2 wk. period.

were driven and gas consumption was down. Not surprisingly restaurant customers residing in large metropolitan areas where fuel shortages were severe were most likely to change their behavior.

The proportion of families living in the largest metropolitan areas who dined out this past summer was off 5 percent from the previous year followed by a decline of 4 percent for those living in metropolitan areas having fewer than 1 million residents. In addition, families living in areas with fewer than one million residents made the largest cuts in their expenditure for dining out, measured in real terms.

WHAT IS CREST?

Launched in September 1975, the CREST (Consumer Reports on Eating-out Share Trends) survey is designed to track expenditures and behavior in the commercial segment of the foodservice industry.

Some 10,000 families, or approximately 30,000 persons are chosen to reflect the U.S. and participate in the study. Each family is asked to record restaurant experiences for a particular two week period for each of the four quarters during the year. Because the study is repetitive, it allows an excellent opportunity to follow changing trends.

In order to properly complete the CREST diary, several steps are involved. Step 1 requires a daily entry for each meal during the two week period for each household member. Whenever the code for restaurant purchases appears, the participant is asked to elaborate on the occasion by making further entries in the diary.

The second portion of the diary is used only if a household member ate or obtained food prepared away from home in establishments such as restaurants, hotels or motels, fast food drive-ins, delicatessens, refreshment stands, carry outs, coffee shops, donut shops, ice cream shops or eating places inside variety stores or other retail stores. The diary will not include any meals eaten at schools, hospitals, colleges or other institutional feeding places. When the two week reporting period is complete, the diary is returned to NPD Research, Inc.

The CREST study is a joint effort of individual foodservice organizations acting in concert to fund a study perhaps beyond the economic research of any of the individual participants. The NRA is solely a participant in this study and not a sponsor.

The CREST study is designed to provide information on customer behavior, not attitudes. This study will, therefore, provide the user with information on how much people spend, where they spend, what they spend on, etc. It will not tell people's attitudes toward a particular issue. It will, because it is an on-going study, allow comparison against a standard or the development of trend analysis, and enable the operator to make decisions based on documented trends rather than casual observation.

NEW STUDY: *continued from page 4*
incomes between $15,000 to $19,999 and 18 percent come from households with annual earnings in excess of $20,000.

Among management and supervisory foodservice personnel, over half or 57 percent are 35 or older and slightly less than half (48 percent) are men. Nearly six out of ten report family incomes in excess of $12,000 and 31 percent belong to families with incomes of $20,000 or more.

Part Time Workers More Prevalent In Foodservice Industry

The foodservice industry employs nearly equal proportions of full and part time workers, with 52 percent being part time employees. In contrast, more than three-fourths of all employed persons work full time, 35 or more hours each week.

The average number of hours worked by employees in the foodservice industry was 32 hours per week; however, hours worked varied substantially by sex and age of the employee, life cycle of the employee's family and type of foodservice establishment in which the employee works. As the accompanying table indicates, female employees are most inclined to work less than 20 hours per week while male employees are most likely to work 41 or more hours weekly. Teenage workers usually work 20 hours or less each week. Male employees over 25, many of whom are managers, are most inclined to work in excess of 41 hours each week.

Other factors which affect number of hours worked include family life cycle and type of establishment. When family life cycle is examined, it becomes evident that over time workers most frequently are bachelors or members of families consisting of a "working older couple." Foodservice employees in commercial establishments are more likely to be working more than 40 hours each week than are those in institutions by a ratio of three to one.

Foodservice Employees, Full and Part-Time

	Total	Male	Female
Less than 20 hours	32%	24%	36%
21-34 hours	20	11	25
35-40 hours	25	22	27
41 + hours	18	37	8
No Answer	5	5	5
Total	100%	100%	100%

BACKGROUND OF THE STUDY

The questionnaire for this survey, which was developed by National Family Opinion (NFO) in cooperation with the National Restaurant Association, consisted of a self-administered card directed to the female head of the household. If no female head was present, the card was directed to the male head. Survey participants were asked to complete a series of occupational information questions for each member currently employed in the foodservice industry. Prior to final printing, the questionnaire was pretested among a national sub-sample to insure comprehension.

The total sample base for the survey consisted of 13,129 NFO households, of this total, 10,000 families were contacted through NFO's monthly multi-card survey mailing in mid-November 1978. The remaining 3,129 single member households were contacted via an individual postcard mailing at the same time. These households were selected from NFO's universe of cooperating households to conform to projected population quotas for the nine geographical divisions, population density, age, annual household income and household size. These demographic criteria were used to insure adequate representation in this sample of the current population living in households.

Approximately four weeks after mailing, returns were closed with 9,652 questionnaires received, or a response rate of 73.5 percent. It should be noted that the sample for this survey did not include workers not living in households such as college students residing in dormitories or employees at bars where no food is served.

The survey was conducted in the closing months of 1978, a period which is reflective of average annual foodservice employment rather than employment during the peak summer months.

ROPER REPORTS: CONSUMERS SAY GAS SHORTAGE CURTAILED EATING OUT

In late August the Roper Organization questioned the public on how the gas shortage had altered their own or their family's life style. Of particular importance to restaurant operators is the fact that 22 percent said that more food was being eaten at home because family members were eating out less. This response may help restaurateurs to analyze why their establishments suffered a decline in customer count in July and August. A benefit to conveniently located restaurants, however, was revealed in one of the responses. Five percent said that they were eating in restaurants they had never tried before because they were easier to get to. The accompanying table summarizes the responses to this question and shows that the two primary results of the gas shortage were that fmailies spent more time at home and convenience played a primary role in planning shopping and entertainment trips.

In this same Roper polling, respondents were asked which of six things, if any, they had noticed or done because of the mandate by President Carter that all commercial building temperatures be kept at 78° in the summer. The overwhelming majoirty, 69 percent, said that this restriction had had no effect on their lives. Only 3 percent said that they had gone out less to eat in restaurants because they were not cool, but 13 percent said that they were staying home more because it was cooler there. Some of the respondents mentioned side effects because of the 78° mandate for commercial buildings such as being more tired at the end of the day because of being in warmer places and not being able to get as much done at work because of the higher temperature.

While many people have complained about the higher temperature restriction, the largest percentage, 47 percent, felt that keeping commercial buildings at 78° is a good way to conserve energy. Nineteen percent thought it was a bad idea and 20 percent said it did not matter one way or another.

What, if any, of the following have happened to you or your family this month as a result of the gas situation?

August 1979

Family members staying at home more	43%
Family doing more things around the house	22
More food being eaten at home because family members eating out less	22
Family members watching more television	18
Buying groceries in different stores than usual because they're more convenient	17
Buying things besides groceries in different stores than usual because they're easier to get to	13
Family discussing who can use the car for what reasons	13
Gone on drives and trips to different places than usual because they're easier to get to	12
People getting on each other's nerves because they can't get out of the house as much	10
Eating in restaurants never ate in before because they're easier to get to	5
None	38
Don't know	1

WHOLESALE FOOD PRICES ROSE IN SEPTEMBER

After registering a decline from July to August, wholesale food prices rose in the month of September, according to the Producer Price Index (PPI). In September, the index for all foods rose 1.6 percent from the August level following a decline of 0.2 percent in August. NRA's Food Cost Index (FCI), which measures wholesale food prices for eating places, rose at a higher rate of 2.6 percent from August to September compared to a 1.5 percent decrease in August.

Higher prices for beef and veal as well as pork and chicken were the primary cause of the September upsurge in wholesale prices. In addition, wholesale costs for dairy products, vegetable oil, fish and coffee also helped to push wholesale food costs upward. While prices for fresh fruits and vegetables were down in September, wholesale prices for processed fruits and vegetables rose because of higher processing and distribution costs.

During the first nine months of this year NRA's FCI was up 11.3 percent compared to the same period in 1978, while the PPI's all food rose at a slower rate of 10.2 percent. NRA's index reflects the higher wholesale costs for beef and veal which advanced 25.3 percent in the first nine months of 1979.

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5. Consumer Attitudes and Behavior in the Foodservice Market—1974
6. Selected Aspects of Fast Food Restaurants—1975
7. Selected Aspects of Take Out/Take Home Food Purchases—1976*

*Limited quantities available. Substitutions will be made without notice.

Package B

(Catalog No. CS 002)

1. Consumer Attitudes Towards Eating Out—1976
2. Consumer Reactions to Restaurant Promotions—1976
3. Survey of Senior Citizens' Eating Out Behavior—1977
4. Attitudes Toward Alcoholic Beverage Service in Restaurants—1977
5. Selected Social, Lifestyle and Economic Issues—1975
6. Selected Aspects of Coffee Shop Restaurants—1975
7. Selected Aspects of Shopping Trip Meal/Snack Purchases—1975

MAIL TO: EDUCATIONAL MATERIALS CENTER
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TWO WAYS TO PURCHASE:

1. I have enclosed my check in the amount of $__________. (Make check payable to National Restaurant Association.) Add 10% of total order for shipping and handling.
2. Credit Cards shown below.

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American Express ☐

Credit Card No. ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

Interbank No. (Located Above Your Name) ☐☐☐☐

Signature ________________ Expiration Date month ____ year ____

NAME ________________

COMPANY NAME ________________

ADDRESS ________________

CITY ________ STATE ________ ZIP ________

QUANTITY	CATALOG NO.	TITLE	PRICE
	CS 001	Package A (@ $20.00)	
	CS 002	Package B (@ $20.00)	
	MG 202	Panorama	
	MG 205	F.S. Op. Guide	
	MG 155	Exec. Comp.	
		Subtotal	
		Illinois residents add 6% sales tax	
		Shipping and handling charges add 10%	
		TOTAL	

DON'T MISS OUT ON THE NEWEST 1979 FINDINGS . . .

FOODSERVICE SALES PANORAMA—the scope of the industry is shown by sales, growth, type of foodservice operation and next time someone asks you about your industry—you'll know. (MG 202, $15.00)

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EXECUTIVE COMPENSATION AND BENEFITS IN THE FOODSERVICE INDUSTRY—this pioneering study summarizes a wide range of valuable information regarding compensation to executives. Base salary, bonuses, profit sharing and other benefits are given for 29 positions (MG 155, $12.50)

Wholesale Food Price Index

	PERCENT CHANGE			
	1977-1978	Sept. 1978-Sept. 1979	9 Mos. 1978-9 Mos. 1979	Aug. 1979-Sept. 1979
FARM PRODUCTS	7.8%	11.9%	28.6%	1.0%
Fresh and Dried Fruits and Vegetables	11.6%	0.1%	7.2%	(13.8%)
Eggs	(7.4%)	4.5%	14.8%	5.2%
PROCESSED FOODS AND FEEDS	7.7%	9.8%	10.4%	2.4%
Cereal and Bakery Products	9.9%	14.0%	9.3%	1.2%
Meat, Poultry and Fish	18.5%	6.9%	13.5%	6.3%
Dairy Products	6.5%	13.2%	13.0%	1.4%
Processed Fruits and Vegetables	6.8%	9.7%	11.1%	0.3%
Sugar and Confectionery	10.0%	7.3%	8.1%	(0.5%)
ALL FOOD[1]	10.6%	8.8%	10.2%	1.6%
NRA FOOD COST INDEX (FCI)	11.2%	6.6%	11.3%	2.6%

[1] Includes all processed foods (except soft drinks, alcoholic beverages and animal feeds) plus eggs and fresh and dried fruits and vegetables.

SOURCE: *Producer Price Index*, Bureau of Labor Statistics.

Readers are reminded that in early November the U.S. Department of Agriculture holds its annual Outlook Conference. Information presented at this conference will concentrate on food supplies in 1980 as well as a forecast for 1980's wholesale and retail food prices. We will be presenting the highlights from this conference in a future issue of *Foodservice Trends*.

Industry Index

RETAIL SALES (000,000)	**Sept. 1979**	**Percent Change vs. Year Ago**	**Year to Date Sept. 1979**	**Percent Change vs. Year Ago**
All Retailers	$72,153	**+8.9%**	$636,714	**+10.9%**
Eating & Drinking Places	$ 6,521	**+6.3%**	$ 56,632	**+ 8.6%**
Food Stores	$16,060	**+7.5%**	$143,104	**+11.4%**

(Source: Bureau of Census unadjusted data. Subject to revision.)

CONSUMER PRICES (September)	**Percent Change vs. Year Ago**	**Percent Change 1979 to Date vs. Year Ago**
Food at Home	+ 9.6%	+11.3%
Food Away From Home	+10.9%	+11.2%
All Items Less Food	+12.6%	+10.6%

(Source: Bureau of Labor Statistics.)

EATING PLACE INDICATORS (000,000)	**Aug. 1979**	**Percent Change vs. Year Ago**	**Year to Date**	**Percent Change vs. Year Ago**
Eating Place Sales	$6,139	**+ 7.6%**	$43,831	**+9.4%**

	Percent Change vs. Year Ago	**Percent Change Year to Date vs. Year Ago**
Real Eating Place Sales (August)	**− 3.6%**	**− 1.8%**

(Sources: Bureau of Census, Bureau of Labor Statistics, NRA calculations. Subject to revision.)

EMPLOYMENT AND EARNINGS	**July 1979**	**Percent Change vs. Year Ago**
Total Employment	4,670,000	+5.8%
Nonsupervisory Employment	4,294,100	+5.6%
Nonsupervisory Average Hourly Earnings	$3.43	+7.5%
Average Weekly Hours	27.3	−3.9%

(Source: Bureau of Labor Statistics.)

FOODSERVICE TRENDS

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FOODSERVICE TRENDS

Volume 1, Number 11
December 1979

analysis and interpretation
- the industry
- the market
- consumer behavior and attitudes

NRA's 1980 FORECAST

- **1980 Foodservice Industry Sales to Equal $112.2 Billion**
- **The Next Decade: What Lies Ahead For The Foodservice Industry—A Special supplement to *Foodservice Trends***
- **1980 Economic Outlook**
- **Industry Sales Top $100 Billion in 1979**
- **Industry Sales Double In The Seventies**
- **1980 Food Supply and Price Outlook**

1980 FOODSERVICE INDUSTRY SALES TO EQUAL $112 BILLION

Highlights

NRA's 1980 Foodservice Industry projection—recessionary pressures will cause the rate of growth for sales in current dollars to be below average in the first half but sales growth in the second half will be substantially better as the economy begins to expand.

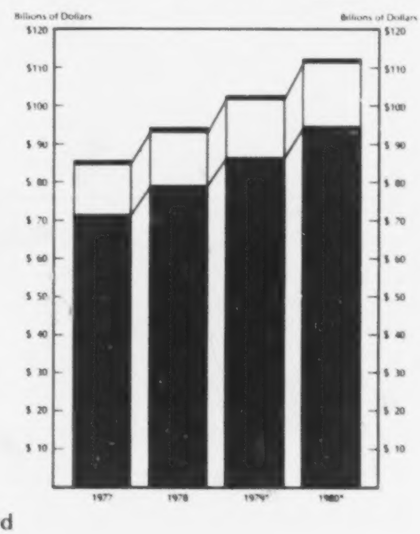
- **Foodservice industry sales are projected to equal $112.2 billion in 1980, a 9.1 percent increase over 1979.**
- **Sales for the Commercial Feeding Group are forecast to rise 9.3 percent to $94.6 billion in 1980, while the Institutional Feeding Group progresses at a lower growth rate of 8.0 percent.**
- **Eating place sales, which account for nearly 60 percent of the industry's total sales, are projected to increases 9.9 percent next year, slightly higher than the 9.4 percent gain in 1979.**
- **Advances in menu prices should moderate in 1980, rising about 9.7 percent versus 11.0 percent this year.**
- **The rate of real growth for eating place sales, adjusted for inflation, will be a moderate 0.2 percent, registering substantial improvement from the real sales decline of 1.6 percent in 1979.**
- **Sales, in current dollars, for limited menu restaurants, which include most fast food establishments, will post an increase well above the industry average—rising 12.4 percent compared to 9.1 percent.**

NRA presents its fourth annual forecast for the size and scope of the foodservice industry by market segments in the coming year. As with the previous forecasts, projections are also given for total sales volume, menu price increases and real sales growth for eating places, the most prominent sector of the industry. In this issue, we show revised projections for 1979 and final sales figures for 1977. Based on recently received data from the 1977 Census of Retail Trade we have revised our 1977 sales estimates for the five eating place categories. (Readers should be aware that NRA's 1977 sales estimates for eating places were only 2.8 percent higher than the five year Census figures, and more accurate than the monthly current retail sales figures published by the Bureau of the Census.)

Our aim with this issue of *Foodservice Trends* is to provide operators with a detailed outlook for next year and highlights of trends to watch for in the next decade. The information presented here can be a guide in comparing the relative growth prospects for the various components of the industry.

We classify the foodservice industry into three major groupings—Commercial, Institutional and Military. Definitions of these groups can be found on page 3.

Foodservice Industry Sales Projected to 1980



*Projected

Industry sales in 1977 and projections for 1979 and 1980 are shown in the table on page 5 along with the percent change in sales between 1979 and 1980. Compound annual growth rates for 1977 to 1980 are intended to give a longer range sales trend.

The following commentary presents our projections for 1980 and highlights underlying trends and factors stimulating industry growth.

A word of caution is necessary with all forecasts, however. Sales estimates for 1980 are based on the best available data as of November 1979. If the economic outlook or the food situation changes during the coming year, as was the case in 1979, then our predictions for industry sales will also change.

Foodservice Industry in 1980

Inflationary pressures, the adverse impact of the recession and spot gasoline shortages will affect foodservice operators in 1980. While these factors may exert negative pressure on the industry next year, we believe that the foodservice industry can find ways to counteract them. We have considered these things in developing our quantitative forecast for the industry.

Our forecast assumes that there will be no major gasoline shortage, although spot shortages may occur. The exact impact of such shortages depends on when and where the shortages occur. For example, gasoline shortages in the summer will be more harmful since the summer months are the high sales months for the industry and because our industry is highly dependent on vacation travel in June, July and August.

The impact of next year's recession is also difficult to determine at this time. We do believe that the industry will respond somewhat differently to the 1979-1980 recession than it did to the 1973-1974 recession. The composition of the industry has changed slightly and there are now approximately 30,000 more fast food outlets. This means declines or a slowing of sales will be spread over more units, some of which may be extremely vulnerable to a drop in sales. In addition, eating out is becoming more of a habit as well as being perceived as a form of entertainment, and as a result consumers will continue to eat out. This recession will also find consumers spending more of their disposable income on energy-related products such as gasoline and heating oil as well as repaying a portion of the record level consumer debt they have incurred in recent years, leaving less disposable income for luxuries.

Menu prices will be rising faster than grocery store prices in 1980, resulting in foodservice establishments losing the competitive price advantage they have enjoyed over grocery stores in 1978 and through part of 1979. Some consumers, in an attempt to control their expenditures, may, therefore, cut back on eating out.

Operating costs in 1980 will also advance. The mandated rise in the minimum wage from $2.90 to $3.10 and the reduction in the maximum allowable tip credit from 45 percent to 40 percent due to take effect on January 1, 1980, will exert upward pressure on labor costs next year. Food prices at the wholesale level for eating places are estimated to rise 9.0 percent in 1980, primarily the result of rising distribution costs and continued increases in the price of beef. In addition, spot food shortages due to weather related factors are likely to occur and cause some disruptions in food supplies for our industry. Energy prices are expected to be up 22.4 percent, and these too will contribute to the rise in operating costs.

We believe that the foodservice industry can capitalize on these factors which will be affecting it in 1980. We see continued use of advertising and promotions by operators as a means to maintain and improve customer traffic. In addition, some of the advertising will be specifically aimed at picturing eating out as a form of entertainment. In recessionary periods the public looks for relatively inexpensive forms of entertainment as a means to escape from the realities of the economic decline, and eating out qualifies as such a form of entertainment. Other advertising will concentrate on showing consumer's that the meal they eat away from home is a good value for their money. This could be particularly successful for operators since many consumers will be closely examining their food expenditures. Advertising during spot gasoline shortages will feature foodservice establishments with convenient locations and will show consumers that they can combine their shopping trip with dining out.

NRA FOODSERVICE TRENDS

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Bette B. Hoyt	Research Associate and Editor

Foodservice Industry Sales: $112.2 Billion in 1980

After reviewing the foodservice operating and economic environment in 1980 as detailed in the previous section and in an accompanying article on page 15, NRA estimates that total foodservice industry sales will increase to $112.2 billion next year, for a gain of 9.1 percent over 1979. Sales for the Commercial Group will approximate $94.6 billion, an increase of 9.3 percent, while Institutional food and drink sales will advance 8.0 percent to $16.8 billion.

Among the growth leaders in the Commercial sector are **limited menu restaurants** whose projected 1980 sales gain of 12.4 percent is well above the industry average. During the period from 1977 to 1980 limited menu restaurants are projected to have average annual sales gains of 13.2 percent, making this "fast food" group the primary industry component responsible for gains in eating away from home. These units, the second largest industry sector behind restaurants and lunchrooms, are expected to post sales of $27.4 billion in 1980, an increase of over $3.0 billion from 1979.

Food and drink sales for the Institutional Feeding Group are predicted to rise at an average annual rate of 8.7 percent during the three year period between 1977 and 1980. Institutions can keep their food costs down by varying their menus to include more lower cost food items. Institutional populations are moderating; however, decreasing the potential for future sales gains.

Eating Place Sales Expected to Rise 9.9% in 1980

The outlook for food and drink sales in eating places, which account for nearly 60 percent of the foodservice industry total, will be affected by consumer confidence in their financial situation, the rate of increase of personal consumption expenditures, overall inflation and the rate of gain in personal and disposable income. (See accompanying article on the 1980 Economic Outlook.) Based on the outlook for the general economy, consumer behavior and income growth, we expect 1980 eating place sales to rise by 9.9 percent, outpacing growth for both GNP and personal income.

One of the premises of our 1980 forecast is that the gain in eating place sales will exceed personal income growth. This assumption appears reasonable when we note that durable goods expenditures are projected to rise only 4.3 percent next year, housing starts will be down and consumers will slow down in their assump-

NRA FOODSERVICE INDUSTRY—TERMS OF REFERENCE

There are many ways to define the components of the foodservice industry. We have chosen a way that seems reasonable to us, but we recognize that this is a very complex industry and that there are several communities of industry participants. NRA's approach breaks the elements of the foodservice industry into many fine segments so that any industry participant can recombine them into different major groups or subgroups to suit his particular needs. Groupings are to some extent arbitrary, and the categories rarely have neat, sharp boundaries. We have, however, followed the definitions of the 1977 Census of Retail Trade where applicable.

The three major foodservice groupings used by the NRA in its analysis of the industry are as follows:

COMMERCIAL FEEDING (GROUP 1): This group comprises those establishments which are open to the public, are operated for profit and which may operate facilities and/or supply meal service on a regular basis for others. Commercial feeding accounts for nearly 85 percent of the sales, and includes eating and drinking places, foodservice contractors, hotel and motel restaurants and restaurants in department stores, drug stores, etc.

EATING PLACES: Dollar sales for eating places are for those with payroll only. Thus our figures may be slightly lower than estimates which include all establishments. Our dollar volume estimates for eating places refer to restaurants and lunchrooms, commercial cafeterias, limited menu restaurants, ice cream and frozen custard stands and social caterers. They do not include contract feeders, which are shown separately, although the Bureau of the Census data include contract feeders in their eating place category.

INSTITUTIONAL FEEDING (GROUP II): This group comprises the business, educational, government and institutional organizations which operate their own foodservice. Food is provided as an auxiliary service to complement their other activities. While some establishments operate at a profit, this is not the aim of the foodservice activity. Rather, they serve food principally as a convenience for their own employees, students, patients, etc.

MILITARY FEEDING (GROUP III): This group comprises the sales of food and beverages at officers' and NCO clubs and military exchanges, as well as defense foodservice to the troops. This group has been shown separately because most suppliers treat it as a distinct entity for sales purposes.

tion of new debt. Although our economy will be in a recession at least through the first half of 1980, past history has shown that while total consumer spending would be adversely affected, spending for non-durables and services, such as restaurant meals, suffer less than spending for durable goods such as automobiles.

We also believe that the continuing trend toward more working women will be beneficial to eating place sales because dining out is perceived as a form of entertainment as well as a matter of convenience. This will help to insure that eating out by consumers will continue in spite of the economic downturn. While unemployment will rise next year, we believe that most of the increased numbers of unemployed will be among the young, new entrants to the labor force. Because these young, new entrants have less earning power than current workers, the impact on foodservice industry sales will be lessened. Also, we do not anticipate any large scale lay-offs other than in the auto and steel industries for extended periods of time.

NRA anticipates that eating place sales gains will be poor in the first quarter of 1980 due to the recession, especially when compared to the very strong sales gains (13.7 percent) registered in the first three months of 1979. Anticipating a possible strengthening of the economy late in the second quarter, we should see sales making some gains and continue strong through the third quarter. The economy should be expanding in the fourth quarter, providing further impetus for eating place sales.

Menu prices in 1980 are expected to increase 9.7 percent, considerably lower than the rise experienced in 1979. We calculate our increase in menu prices by using a formula which attributes 40 percent of the increase to changes in food costs, 30 percent to changes in labor costs, 5 percent to energy costs and 15 percent to other operating costs. We estimate that labor costs will rise 9.0 percent, due in part to the increase in the Federal minimum wage from $2.90 to $3.10 per hour and a reduction in the tip credit from 45 percent to 40 percent. In addition, we anticipate that wholesale food costs will be up 9 percent, energy costs up 22.4 percent and all other costs up 8.5 percent. Assuming menu prices average 9.7 percent higher, eating places would attain real sales growth of 0.2 percent in 1980, considerably better than the 1.6 percent decline experienced in 1979.

Among eating places, **commercial cafeterias** are forecast to advance only 6.7 percent next year, while **restaurant and lunchroom** sales will increase by $2.7 billion. **Ice cream and frozen custard stands** continue to do well, and sales will be up 10.1 percent in 1980. As previously mentioned, **limited menu** sales are forecast to advance 12.4 percent.

Food Contractors in Recreation and Sport Centers Expected to Perform Well in 1980

The remaining portion of this report concentrates on foodservice sales for categories of the Commercial Group other than eating places and all categories of the Institutional and Military Groups. We have used the services of Malcolm Knapp, Inc. in developing the 1980 forecast for these specific sectors.

Food contractors in **recreation and sports centers** are expected to have strong sales gains next year as consumers look for entertainment in an attempt to escape the pressures brought on by the recession. We anticipate sales will rise 12.6 percent from 1979 to 1980.

Food contractors in the **airline** industry will have sales increases of only 9.1 percent in 1980, considerably below the three year average of 12.5 percent. Air traffic is expected to be up only 2.5 percent due to higher air fares as well as the overall economic health of the U.S.

In 1980, total employment should remain relatively

1980
Commercial Feeding
$94.6 Billion

1980
Institutional Feeding
$16.8 Billion

The Food Service Industry—Food and Drink Sales
Project to 1980

	1977 Estimated F&D Sales (000)	1979 Projected F&D Sales (000)	1980 Projected F&D Sales (000)	1979-1980 Percent Change	1977-1980 Compound Annual Growth Rate
GROUP I—COMMERCIAL FEEDING[1]					
EATING PLACES					
Restaurants, Lunchrooms	$27,287,568	$ 32,164,093	$ 34,865,877	8.4	8.5
Social Caterers	692,536	745,369	772,202	3.6	3.7
Commercial Cafeterias	1,765,628	1,996,418	2,130,178	6.7	6.5
Limited Menu Restaurants (Refreshment Places)	18,899,388	24,356,086	27,376,241	12.4	13.2
Ice Cream, Frozen Custard Stands	919,030	1,186,340	1,306,160	10.1	12.4
TOTAL EATING PLACES	$49,564,150	$ 60,448,306	$ 66,450,658	9.9	10.3
Bars and Taverns	6,421,258	7,055,677	7,387,294	4.7	4.8
Eating & Drinking Places	$55,985,408[2]	$ 67,503,983	$ 73,837,952	9.4	9.7
FOOD CONTRACTORS					
Manufacturing & Indus. Plants	$ 1,609,817	$ 1,943,757	$ 2,108,976	8.5	9.4
Commercial & Office Bldgs.	421,995	524,117	571,812	9.1	10.7
Hospitals and Nursing Homes	615,717	745,002	806,092	8.2	9.4
Colleges & Universities	822,745	976,606	1,069,384	9.5	9.1
Primary & Secondary Schools	482,371	562,636	605,396	7.6	7.9
In-transit Feeding (Airlines)	341,069	444,659	485,123	9.1	12.5
Recreation & Sports Centers	695,045	877,109	987,625	12.6	12.4
	$ 4,988,759	$ 6,073,886	$ 6,634,408	9.2	10.0
Hotel Restaurants	$ 2,679,949	$ 3,304,521	$ 3,641,582	10.2	10.8
Motor Hotel Restaurants	657,219	811,792	893,783	10.1	10.8
Motel Restaurants	1,479,530	1,801,559	1,974,509	9.6	10.1
	$ 4,816,698	$ 5,917,872	$ 6,509,874	10.0	10.6
Retail Host Restaurants[3]	$ 2,887,733	$ 3,402,614	$ 3,678,226	8.1	8.4
Recreation & Sports[4]	1,004,613	1,245,093	1,395,749	12.1	11.6
Mobile Caterers	333,410	415,176	437,180	5.3	9.4
Vending & Nonstore Retailers[5]	1,683,460	2,009,824	2,166,590	7.8	8.8
TOTAL GROUP I	**$71,700,081**	**$ 86,568,448**	**$ 94,659,979**	**9.3**	**9.7**
GROUP II—INSTITUTIONAL FEEDING-BUSINESS, EDUCATIONAL, GOVERNMENT OR INSTITUTIONAL ORGANIZATIONS WHICH OPERATE THEIR OWN FOODSERVICE					
Employee Feeding[6]	$ 1,245,296	$ 1,487,288	$ 1,603,296	7.8	8.8
Public & Parochial Elementary & (Secondary Schools)	1,793,269	2,033,791	2,176,156	7.0	6.7
Colleges & Universities	1,708,377	1,990,806	2,169,978	9.0	8.3
Transportation	421,635	527,250	570,484	8.2	10.6
Hospitals[7]	5,012,057	6,004,063	6,472,380	7.8	8.9
Nursing Homes, Homes for Aged Blind, Orphans, Mentally & Physically	1,787,712	2,190,685	2,385,656	8.9	10.1
Handicapped[8]	895,347	1,037,411	1,113,142	7.3	7.5
Clubs, Sporting & Recreational Camps	257,830	327,470	364,147	11.2	12.2
Community Centers					
TOTAL GROUP II	**$13,121,523**	**$ 15,598,764**	**$ 16,855,239**	**8.0**	**8.7**
TOTAL GROUPS I AND II	**$84,821,604**	**$102,167,212**	**$111,515,218**	**9.1**	**9.6**
GROUP III—MILITARY FEEDING[9]					
Officers & NCO Clubs ("Open Mess")	377,989	404,874	431,191	6.5	4.5
Food Service—Military Exchanges	193,469	208,192	223,806	7.5	5.0
TOTAL GROUP III	**$ 571,458**	**$ 613,066**	**$ 654,997**	**6.8**	**4.7**
GRAND TOTAL	**$85,393,062**	**$102,780,278**	**$112,170,215**	**9.1**	**9.5**

FOOTNOTES

[1] Data are given only for establishments with payroll

[2] Food and drink sales for nonpayroll establishments totaled $1,868,879,000 in 1977.

[3] Includes drug and proprietary store restaurants, general merchandise store restaurants, variety store restaurants, food store restaurants, and grocery store restaurants, gasoline service station restaurants and miscellaneous retailers.

[4] Includes drive-in movies, bowling lanes, recreation and sport centers.

[5] Includes sales of hot food, sandwiches, pastries, coffee and other hot beverages.

[6] Includes industrial and commercial organizations, seagoing and inland waterway vessels.

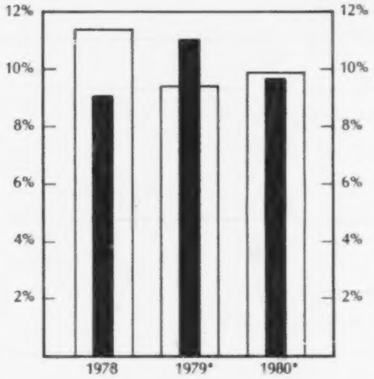
[7] Includes voluntary and proprietary hospitals, long term general, TB, nervous and mental hospitals and sales or commercial equivalent to employees in state and local short term hospitals and Federal hospitals.

[8] Sales (commercial equivalent calculated for nursing homes and homes for aged only. All others in this grouping make no charge for food served either in cash or in kind.

[9] Continental U.S. only.

SOURCE: Development of statistical data presented in this table was carried out by Malcolm Knapp, Inc. under contract with the National Restaurant Association.

Annual Percent Change in
Eating Place Sales ☐
vs.
Annual Percent Change in
Menu Prices ■



*Projected

unchanged from 1979, although we do expect some furloughing to occur at auto assembly plants and steel mills. Therefore, food contractor sales in **office buildings** will be up 9.1 percent and contractor sales in **manufacturing and industrial plants** will increase only 8.5 percent. Both these advances are considerably below their respective three year average annual gains.

Foodservice contractors in **hospitals and nursing homes** will also experience slower sales growth in 1980 than during the 1977-1980 period, 8.2 percent versus 9.4 percent. A continuing decline in patient count as well as the fact that most desirable accounts are taken are the primary causes for the slower sales growth. A trend toward health care organizations which manage multiple facilities could provide some future growth potential for contractors, however.

Enrollment continues to decline in elementary schools at about 1.5 percent per year and in high schools at 0.9 percent. Parochial school enrollment shows potential for only a modest increase. **Contract school feeding** will, therefore, register only a 7.6 percent gain and continue as one of the least attractive foodservice businesses.

Enrollment in **colleges and universities** is expected to be up 0.5 percent. Food contractors are responding to the preferences of students by offering more health foods and salads. As a result, contractors' sales will rise 9.5 percent in 1980, slightly better than the three year average annual increase of 9.1 percent.

Hotels, motor hotels and motels are projected to show increased sales of 10 percent between 1979 and 1980, slightly below the three year average. We anticipate a reduction in tourist travel due in part to higher airline fares and generally high gasoline prices. Convention business, however, should remain strong as will tourism from overseas for such entry cities as New York, Chicago, Los Angeles and San Francisco. New hotel construction in 1980 will take place predominately in major metropolitan areas.

Food and drink sales at **retail host restaurants** will rise about 8.1 percent compared to their three year average annual gain of 8.4 percent. This relatively low increase reflects the decreasing number of shopping trips that consumers will be making in 1980 and their more specific shopping plans which will not leave as much room for impulse food buying as in prior years. Retail host foodservice operators are making efforts to compete with freestanding restaurant operations. Their efforts are not likely to be fully rewarded in 1980, at least among stores carrying durable goods; however, convenience food stores will continue to expand their foodservice efforts.

Sales from **vending operations** are projected to be up only 7.8 percent in 1980; and when food cost increases are considered, this represents a real sales decline. Flattening of unit sales because of price increases and little gain in the number of employed persons will contribute to the poor sales performance for vending operators.

Mobil caterers are expected to show a poor 5.3 percent increase in sales, well below the 9.4 percent three year average, because they are heavily dependent on construction and manufacturing employment. Construction employment will be down for most of 1980 because of the slowdown in residential building, while lay-offs in heavy manufacturing industries, such as automobile and steel, will cause reduced employment in manufacturing plants.

Institutional Leaders:
Colleges and Community Centers

Sales for Institutional Feeders are expected to increase from $15.6 billion in 1979 to $16.9 billion in 1980, representing an 8.0 percent advance. We believe that increases in labor and energy costs for Institutional Feeders are not felt as strongly as they are for Commercial Foodservice and that the actual effect of increases in these costs is difficult to ascertain. One of the premises of out 1980 forecast for the Institutional Group is, therefore, that sales increases for these operators are related primarily to increases in food costs. We anticipate a real decline in sales in 1980 because of a reduction in institutional populations and a lessening of Congressional support for community programs. In addition, a contraction in the transportation sector for such things as high priced cruises, and a continuation of cost pressures for clubs and sporting facilities will

(continued on page 15)

NATIONAL
RESTAURANT
ASSOCIATION

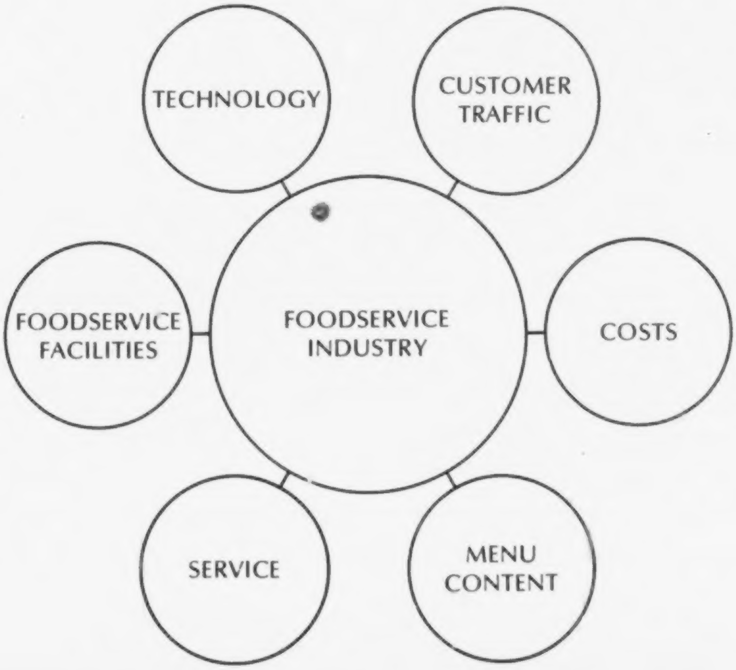
THE NEXT DECADE: WHAT LIES AHEAD FOR THE FOODSERVICE INDUSTRY

The foodservice industry will be facing a favorable operating environment in the Eighties and can expect continued growth. Changes in the demographic make-up of the population, changes in consumer lifestyles, new technology and the ability to capitalize on the success of the industry in the Seventies will all contribute to the good health of the foodservice industry in the decade head.

The National Restaurant Association has examined the major challenges and primary industry responses in several key areas of the foodservice industry, and presents this information in the following pages of this special supplement. **The approach taken here is to examine six key areas—Customer Traffic, Costs, Menu Content, Service, Foodservice Facilities and Technology.** Some overlapping of responses to these areas does occur, especially with the energy challenge facing the industry and its impact on customer traffic, operating costs and technology. However, we feel that readers will find our method of presentation more useful, particularly if they desire to concentrate their efforts on one or two specific areas.

The final section of this supplement depicts highlights of the foodservice industry itself in the 1980's, featuring international expansion, expansion of foodservice sales, changes in the fast food sector and changing make-up of industry firms.

Persons desiring further explanation of this qualitative forecast of the foodservice industry in the Eighties or requiring additional copies should address such requests to Patricia Pinto, Director of Planning and Information Services, or Bette Hoyt, Research Associate and Editor of *Foodservice Trends*.



THE EIGHTIES: WHAT LIES AHEAD FOR THE FOODSERVICE INDUSTRY

CUSTOMER TRAFFIC

Major Challenges	Primary Industry Responses
Continued rises in menu prices.	• Delay further minimum wage increases and reduction in the tip credit mandated by law as means to decrease labor cost component of serving and preparing a restaurant meal.
	• Use more self service (salad bars, etc.) as means of reducing number of employees needed and therefore reduce labor cost component of the restaurant meal.
	• Use more varied menus to take advantage of lower cost foods to decrease food cost component of the restaurant meal.
	• Use more energy efficient equipment and energy efficient buildings to reduce energy cost component of the restaurant meal.
	• Use advertising and promotion to emphasize price/value relationships of meal away from home.
Continued and more intense competition among all foodservice units as well as between the foodservice industry and the grocery store industry.	• Stress service and convenience as means to gain competitive edge.
	• Advertise eating out as a form of entertainment to a greater extent.
	• Strive to keep menu price increases to a minimum to remain competitive.
	• Emphasize price/value relationships of meal away from home versus meal at home.
Gasoline shortages, both nationally and regionally, will affect consumer habits.	• Examine past gasoline shortages in order to capitalize on industry strong points, e.g., convenience, form of entertainment, etc.
	• Seek out convenient locations which will be hurt less by gasoline shortages; i.e., areas near recreation centers, retail centers, major metropolitan areas.
	• Make better use of advertising and promotion to assure consumers that they can get to and from establishment as well as working with business in surrounding area to promote area and its location.
	• Continue work in the government affairs area to insure that energy legislation is not detrimental to the industry.
Energy prices will continue to rise due to short supplies and decontrol of oil.	• Use advertising as a means to show bargain of eating out in an attempt to gain a larger share of consumer's disposable income.

	• Improve distribution system as a means to cut transportation costs due to higher fuel prices.
Continued economic uncertainties will plague consumers.	• Place emphasis on service and eating out as a form of entertainment during downturns in the economy. • Ascertain where industry strengths and weaknesses lie in a recession and use this to combat economic slowdowns.
Continued changes in the demographic make-up of the population—higher incomes, increased proportion of senior citizens, smaller households, more working women.	• To accommodate the trend toward singles and smaller party sizes, operators will rearrange seating and maximize the number of customers they can serve. • Adjust menu offerings and offer smaller portions and attract senior citizens. • Use advertising geared toward attracting specific growth segments, e.g., senior citizens, singles, the 45 to 64 age group.
Lifestyle changes (role of women in society, eating out accepted as part of life, trend toward healthiness) will mean consumers are more health conscious and more demanding.	• Adjust menus to offer smaller portions as consumers continue to cut back on the amount they eat. • Implement new and different ways of preparing foods, e.g., steaming vegetables, broiling and baking meats. • Use new and different foods to take advantage of changing consumer consumption patterns; e.g., fresh vegetables, salads, yogurt, fruit juices. • Take advantage of location near leisure/recreation areas as consumers find ways to take advantage of their increased leisure time. • Differentiate between eating out as entertainment and eating out as a necessity in order to maximize advertising and promotional effectiveness. • Offer some nutritional information as consumers become more educated about which foods they should or want to avoid.

THE EIGHTIES: WHAT LIES AHEAD FOR THE FOODSERVICE INDUSTRY

COSTS

Major Challenges	**Primary Industry Responses**
Continued rise in labor costs will primarily be due to legislation, inflation and increased efforts of unionization.	• Use more self service and automation in order to reduce number of employees. • Concentrate on increased productivity by emphasizing the use of more efficient equipment and advanced management techniques.

	• Play an important role in government affairs, particularly when dealing with legislation involving the minimum wage and labor law reform. • Continue emphasis on good management and supervision as means to prevent unionization of the industry's labor force.
Energy costs will continue to rise.	• Implement ways to conserve energy usage in foodservice establishments such as energy efficient equipment, training employees in energy conservation, new methods of preparing food. • Utilize new and alternate energy sources such as natural gas, coal and solar energy. • Use re-cycling of energy within the foodservice unit, e.g. use heat from cooking to heat water. • Reduce hours of operation.
Increases in food prices will be due more to transportation and packaging costs than to actual farm commodity prices.	• Use lower cost foods such as pork and chicken when beef prices are high, more use of flexible menus. • Examine distribution channels and find ways to shorten such channels, e.g., buy in quantity, order less often. • Expand into food processing and packaging which will be particularly feasible for large operators.

THE EIGHTIES: WHAT LIES AHEAD FOR THE FOODSERVICE INDUSTRY

MENU CONTENT

Major Challenges	**Primary Industry Responses**
Greater concern by consumers in the relationship between diet and good health and consumer desire for "total fitness."	• Make menu additions and deletions which will be responding to consumer needs such as more salads, yogurt, fruit juices and less "fried foods, sweets, starches." • Change amount of food offered and methods of preparation to take advantage of changing lifestyles and demographic characteristics. • Provide more nutritional information on a voluntary basis for that segment of consumers that might have more of an interest in what they are eating. • Identify menu items as "fresh," "frozen," etc. for sake of accuracy.
Moves by consumer groups to initiate legislation and regulation aimed at accuracy in menu and the providing of nutritional information.	• Take initiative in providing nutritional information and thereby avoid excessive and restrictive government (Federal, State, and Local) regulation and legislation.

	• Use of more nutritional information on menu and food packaging materials, particularly by large chains. • Become more involved in government regulatory and legislative process concerning accuracy in menu and food labeling.
Food costs and energy costs.	• Incorporate less expensive items in the menu mix such as soups, pasta. • Use foods which when preparing require little energy such as oriental Wok cooking and Mexican cooking.

THE EIGHTIES: WHAT LIES AHEAD FOR THE FOODSERVICE INDUSTRY

SERVICE

Major Challenges	**Primary Industry Responses**
Increasing difficulty in attracting and retaining employees due to a reduction in the size of important segments of the labor force, perceived low wages and restrictive regulations.	• Increase dependence on women and the over 65 because of decline in the proportion of teenagers in the labor force. • Use more self-service and automation to reduce number of employees needed and to offer faster and more efficient service. • Increase usage of training programs to insure quality of service by employees. • Place greater emphasis on career aspect of employment in the industry rather than job aspect.
Greater recognition that service can provide a competitive edge.	• Aim promotions and advertising at service. • Realize that foodservice establishments with good service are better able to distinguish themselves from others. • Make dining out a memorable experience. • See greater need for measuring customer satisfaction in relation to service.
Improvements in service which specialize in making eating out convenient and entertaining.	• Use more elaborate take-out meals such as complete gourmet dinners. • Use of meals-on-wheels, bring the restaurant meal to the patron when the patron can't come to the restaurant.

THE EIGHTIES: WHAT LIES AHEAD FOR THE FOODSERVICE INDUSTRY

FOODSERVICE FACILITIES

Major Challenges	Primary Industry Responses
Increased construction costs.	• Use more leasing of properties rather than purchasing properties due to the high cost of real estate.
	• Depend less on free-standing locations and more on inside facilities in shopping centers and office buildings.
	• Use more uniform building designs, particularly for major chains, to decrease architectural and building costs.
	• Examine expansion plans more carefully and cut back on number of units opened each year.
	• Construct more satellite, take-out operations which offer drive-up, walk-up service.
Increased operating costs.	• Install more energy efficient and labor saving equipment.
	• Use more efficient management techniques to increase productivity as well as to keep operating costs to a minimum.
	• Design units to be energy efficient, possibly build units with no windows.
Increased importance of location.	• Locate foodservice establishments near other retail and recreational facilities so consumer can combine trips.
	• Implement more sophisticated site location techniques which utilize demographic analysis of area to be served and which will be more easily available to small operators.
	• Shift site location emphasis to inner city re-development areas and smaller and medium size cities.
Demographic and lifestyle changes cause rearrangement of inside facilities.	• Installation of seating for singles and smaller party sizes.
	• Installation of salad bars to take advantage of health consciousness of consumers.

THE EIGHTIES: WHAT LIES AHEAD FOR THE FOODSERVICE INDUSTRY

TECHNOLOGY

Major Challenges	Primary Industry Responses
More efficient equipment will continue to be introduced for foodservice operation.	• Greater use by large and small operators of energy saving equipment aimed at energy management.
	• Adopt labor saving devices (automated and self service equipment) in order to cut labor costs and improve productivity.
	• Use equipment which can measure energy used in the foodservice establishment, especially by larger chains, and which allows industry to know more about how much energy it is using and how to conserve on energy usage.
	• Use of equipment built with micro-processors which automatically turn on and off.
	• Use equipment designed to be used all at once or in parts; e.g. operator can use one section of grill without turning on whole grill for cooking during off-peak hours.
	• Introduction of new foods, food packaging and food preparation.
	• Increase use of microwave and convection ovens to shorten preparation time and cut costs, especially by small operator.
	• Be more receptive to packaging which can allow the consumer to purchase total meal for consumption immediately or later and allow operator to store and prepare food in same package.
	• Take advantage of new methods of food preparation which are needed because of changing lifestyles.
Advancement of computer technology.	• Increased use of computers for inventory control and cost reduction procedures, by large and small operators alike as costs for this type of equipment decline.
	• Use computer technology (point of sale terminals, electronic cash registers) to track consumer buying habits, i.e., use for marketing analysis.

THE FOODSERVICE INDUSTRY IN THE EIGHTIES

- **International Expansion**

—U.S. firms will utilize licensing agreements with overseas firms as the major means of expansion in foreign countries.

—Major chains will develop advanced selection techniques for choosing best countries for expansion.

—U.S. firms will be faced with more internal competition from foreign countries as they expand in this country.

—U.S. firms will alter foods offered and food preparation to take advantage of cultural differences.

—International firms will find the U.S. an attractive place to invest; combine their capital with U.S. foodservice marketing expertise.

- **Continued Expansion of Foodservice Industry Sales**

—Foodservice industry will gain more of the consumer food dollar; actually reach the 50 percent mark.

—Grocery stores will expand food preparation for take out and contribute to the increasing share of the food dollar spent on meals away from home.

—Convenience stores, which may have a similar customer base to that of the fast food sector, will further expand their foodservice business.

- **Change in the Fast Food Sector**

—Increase in fast food sales in the U.S. will come primarily from increasing sales in existing units through menu expansion rather than through new unit expansion.

—As fast food chains expand their menus they will take on the appearance of a coffee shop.

—Competition will continue to be intense and chains will rely heavily on advertising and promotions.

—More major chains will have waiter/waitress service at certain meal times.

—New types of fast food chains, Japanese and French, will gain importance.

- **Changing Make-Up of Industry Firms**

—Food processors and distributors will move into foodservice and vice versa; vertical expansion.

—Mergers and acquisitions of large chains by conglomerates will reduce number of firms in the industry.

—Diversified organizations operating in the foodservice industry will recognize the return on investment opportunities in their restaurant and foodservice divisions and place more marketing and corporate emphasis on these divisions.

- **Miscellaneous**

—Regional successes with cafeterias as they continue to be able to capitalize on delivering variety and quality food and meet important consumer needs.

—Themes and fads utilized by operators for such things as decor and menu offerings will be flexible so they can be changed easily and reflect new themes and fads.

—Greater focus on supplying meals to persons who cannot come to the restaurant—meals on wheels.

INDUSTRY SALES *(continued from page 6)*
adversely affect Institutional Foodservice sales next year.

Employee feeding sales gains will be less than those for food contractors because of a reduction of manual feeding in small and medium sized plants. As a result, employee feeding sales will be up only 7.8 percent, compared to the three year average sales gain of 8.8 percent.

The enrollment decline in high schools and elementary schools are primarily responsible for the modest 7.0 percent increase in public and parochial **elementary and secondary school feeding**. Participation rates in school lunch programs, however, should remain relatively stable.

Foodservice sales to **transportation** will moderate as traffic growth on airlines slows. Gains in traffic for cruise ships should be low and those for railroad travel are uncertain due to reductions in scheduled service to some areas.

Hospitals show only a 7.8 percent sales gain for 1980 compared to an 8.9 percent compound annual gain for 1977 to 1980. The number of patients continue to decline as the staff and number of out-patient visits increase. Community hospitals continue to experience some patient growth.

Institutional feeding sales at **nursing homes** will be up 8.9 percent in 1980. Their rate of growth has slowed down due to limited increases in facilities and the high cost of nursing care.

Clubs and sporting and recreation camps are projected for a 7.3 percent sales increase. High costs continue to squeeze these institutions and the prospects for any improvement are dim.

The projected growth of 11.2 percent in **community center** food and drink sales reflects a concern, although a diminishing concern in the face of high costs, by Congress to continue to fund these programs in the same manner they have done in the past.

Military Sales Growth Continues Below Industry Average

Military foodservice sales are expected to increase 6.8 percent in 1980, considerably below the overall industry sales growth of 9.1 percent. However, the 6.8 percent rate is above the three year average annual rate of 4.7 percent, due to the relative price advantages of these establishments.

1980 ECONOMIC OUTLOOK

Among the premises upon which our forecast is based is that the nation will experience a recession next year but that it will be shorter and milder than average. We expect the economic upturn to begin in the third quarter of 1980 following three consecutive quarterly declines in real GNP.

NRA's 1980 forecast is based on a review of general economic forecasts for 1980 by some of the nation's leading economists. We agree with their consensus projection for real GNP to decline by one percent in 1980 after a gain of 2.0 percent this year. Inflation, as measured by the Consumer Price Index and heavily influenced by rising mortgage interest rates and rising energy costs, is expected to continue at a double digit 10.3 percent rate next year. The CPI advance is expected to slow from this years' 11.0 percent rate, however. Another measure of inflation, which may be more indicative of the actual rate of increase for consumer prices is the GNP deflator. The GNP deflator, which does not reflect current mortgage rates, is projected to rise 8.8 percent in 1980, moderating slightly from its 9.0 percent gain in 1979.

Personal income growth is projected to slow to an 8.3 percent increase in 1980 based on the Chase Econometric forecast, following a gain of 11.7 percent this year. Real disposable income, or that which consumers have left after taxes, will remain unchanged in 1980 after an increase of 2.0 percent in 1979.

The projections for no real growth in disposable income and stepped up debt repayment from the record high indebtedness consumers have incurred this year have led Chase Econometrics to forecast a gain in consumer spending of only 0.3 percent in real terms. Spending on large ticket durable items such as automobiles will be especially hard hit and is expected to decline 3.9 percent in real terms. Spending for nondurable items such as restaurant meals and groceries is projected to post a marginal gain of 0.4 percent.

Chase Econometrics in their recent forecast has pointed out that there are two major factors which could further depress the outlook for 1980. If consumers suddenly increase their savings rate from its current low of 4.1 percent of the income level to a more normal 5 to 6 percent range, a drastic cutback in consumer spending would occur. The second factor raised by Chase could have a more serious effect on the restaurant industry. If OPEC oil production is sharply reduced, larger than anticipated price increases will occur and further erode consumer purchasing power. In addition, a resulting gasoline shortage similar to the one experienced in 1979 could again create serious problems for the industry in 1980.

INDUSTRY SALES TOP $100 BILLION IN 1979

Total foodservice industry sales in 1979 will reach $102.8 billion, up about 9.0 percent from $94.4 billion in 1978. Sales for the Commercial Segment will equal $86.6 billion in 1979 up 9.0 percent over 1978, while Institutional foodservice sales will be up 8.6 percent. Sales for the Military Segment, which were $585 million in 1978, are expected to total $655 million in 1979, representing an increase of only 4.8 percent. Some interim revisions to our 1978 sales figures have been made based on data from the 1977 Census of Retail Trade as well as new employment and inflation information.

Eating places, which account for nearly 60 percent of total foodservice industry sales, are expected to have 1979 sales of $60.4 billion, an increase of 9.4 percent over 1978. This increase is considerably smaller than those experienced in the two prior years, both of which were in excess of 11 percent. NRA's forecast, published in July 1979, for eating place sales to rise about 12 percent has been revised downward because of two factors. First, the adverse effects of the gasoline situation lasted longer and were more severe than we anticipated. (See July, 1979 *Foodservice Trends.*) NRA estimates that nearly one percentage point of eating place sales growth was lost because of real or perceived shortages in gasoline this past summer. Second, personal income, which rose at a 12 to 13 percent pace in the first half of 1979, has been rising at a slower pace in recent months. Personal income in 1979 is now predicted to advance about 11.0 to 11.5 percent.

Menu prices in 1979, as measured by the Bureau of Labor Statistics' Consumer Price Index for food-away-from-home, will increase about 11.0 percent over 1978 prices, the first double digit increase since 1974. We feel that this 11.0 percent rise in menu prices is somewhat overstated because it is not based on actual consumption but on a fixed group of items. For example, the CPI measures a specific meal away from home such as a deluxe hamburger, french fries and medium size soft drink. If the consumer shifts his or her restaurant meal purchase from the previously mentioned meal to a lower priced meal consisting of a regular hamburger, french fries and a small size soft drink, the CPI will continue to measure the cost of the original meal. The consumer may actually be paying less for the meal away from home, but this would not be reflected in the CPI data. In addition the food-away-from-home index does not take into account the impact of price discounts due to promotions, and we know from CREST data that operators have been expanding their use of promotions in recent months. (See "CREST Quarterly Supplement" in the November *Foodservice Trends.*)

Based on a 9.4 percent eating place sales increase and an 11.0 percent rise in menu prices, it appears that real eating place sales actually declined by 1.6 percent this year, the first such decline registered by the industry in the Seventies. Readers are reminded, however, that this real sales change figure represents an industry average for all eating place categories, including both full service restaurants, fast food restaurants and cafeterias. Many restaurants throughout the country will fare much better in 1979 than these industry-wide figures indicate.

Foodservice Industry Sales: 1978-1979

	Food and Drink Sales (000)		Percent Change
	1978	1979	
Commercial	$79,435,113	$ 86,568,444	9.0%
Eating Places	55,239,245	60,448,306	9.4%
Rest. & Lunch.	29,810,089	32,164,093	7.9%
Comm. Cafeterias	1,878,804	1,996,418	6.3%
Lim. Menu	21,757,488	24,356,086	11.9%
Soc. Caterers	720,999	745,369	3.4%
Ice Cream, etc.	1,071,865	1,186,340	10.7%
Bars and Taverns	6,678,224	7,055,677	5.6%
Eating and Drinking Places	61,917,469	67,503,983	9.0%
Institutional	14,356,000	15,598,764	8.6%
Military	584,777	613,066	4.8%
Total FSI	94,375,899	102,780,278	8.9%

INDUSTRY SALES DOUBLE IN THE SEVENTIES

Changing population characteristics such as smaller families, more working women and higher family incomes together with changing lifestyles exemplified by the increased desire for convenience and the changing role of women in society have been very beneficial to the foodservice industry in the Seventies. Consumers now eat out more often than they did in the early part of the decade, and they have begun to view eating out as a necessity as well as a recreational luxury. The proportion of the consumer food dollar spent on meals outside the home has risen from 33.1 percent in 1970 to nearly 40 percent in 1979.

The rise of the fast food restaurant with varied menu items ranging from hamburgers to chicken, pizza and other ethnic foods has enabled whole families to eat out less expensively than was possible in the Sixties. Fast food restaurants have catered to the public's desire for a good, quick meal at a low price as well as the desire for convenience.

Sales Rise From $43.3 Billion to $102.8 Billion

Total foodservice industry sales have more than doubled during the Seventies, from $43.3 billion in 1970 to $102.8 billion in 1979. This represents an average annual gain of 9.0 percent during the decade. The Commercial Segment of the industry, which accounts for nearly 85 percent of the sales and includes eating and drinking places, foodservice contractors, hotel and motel restaurants and restaurants in retail establishments, has grown at an annual rate of 9.4 percent during the Seventies, slightly faster than the industry as a whole. Sales for the Institutional Segment, including business, educational, governmental and institutional organizations which operate their own foodservice, have increased at a slower paced 7.7 percent per year from 1970 through 1979, considerably below the 9.0 percent annual rate for the industry. Military foodservice sales have remained relatively flat during the decade.

The accompanying table summarizes sales information for the three main segments of our industry along with information for several important categories such as eating places, limited menu restaurants, foodservice contractors and hotel and motel restaurants.

Foodservice Industry Sales: 1970-1979

	Sales (In Billions) 1970	Sales (In Billions) 1979	Percent Change 1970-1979	Average Annual Percent Change
Commercial Feeding	$35.4	$86.6	144.6%	9.4%
Eating Places	$22.2	$60.4	172.1%	10.5%
Rest. & Lunch.	$13.7	$32.2	135.0%	8.9%
Cafeterias	$ 1.3	$ 2.0	53.8%	4.4%
Limited Menu Rest.	$ 6.4	$24.4	281.2%	14.3%
Social Caterers	$ 0.6	$ 0.7	16.7%	1.5%
Ice Cream, Frozen Custard Stands	$ 0.3	$ 1.2	300.0%	14.9%
Contractors	$ 2.4	$ 6.1	154.2%	9.8%
Hotel/Motel Rest.	$ 2.6	$ 5.9	126.9%	8.5%
Retail Host Rest.	$ 1.7	$ 3.4	100.0%	7.2%
Recreation & Sports Center Rest.	$ 0.5	$ 1.2	140.0%	9.2%
Institutional Feeding	$ 7.4	$15.6	110.8%	7.7%
Military Feeding	$ 0.6	$ 0.6	N.C.	—
Total Foodservice Industry	$43.3	$102.8	137.4%	9.0%

"Fast Food" Sales Nearly Quadruple During Seventies

Sales for eating places, which account for nearly 70 percent of the Commercial Segment, nearly tripled from $22.2 billion in 1970 to $60.4 billion in 1979. This represents an average annual gain in sales of 10.5 percent during the ten years. Among eating places, sales for limited menu—fast food restaurants and ice cream and frozen custard stands have advanced at the fastest pace. Limited menu—fast food sales have nearly quadrupled, rising from only $6.4 billion in 1970 to $24.4 billion in 1979, for an average annual gain of 14.3 percent. Sales for ice cream and frozen custard stands, on the other hand, have increased at 14.9 percent per year during the Seventies. Average annual sales gains of 8.9 percent for restaurants and lunchrooms approximated that for the entire industry.

Foodservice sales for contractors, hotel and motel restaurants and retail host restaurants have all increased at a slower pace in the Seventies than have total industry sales. Food sales for recreational and sports centers, however, have risen at an average annual rate of 9.2 percent during the decade compared to the 9.0 percent advance for the industry.

Real Eating Place Sales Growth Averaged 3.2 Annually Percent During the Seventies

During the Seventies prices for both food-at-home and food-away-from-home have increased at similar average annual rates, 7.4 percent and 7.3 percent respectively. Food-away rose at a significantly slower pace then food-at-home in 1972, 1973, 1974 and 1978. In 1979 both menu prices and grocery store prices are expected to advance 11.0 percent. Overall inflation, as measured by the Consumer Price Index has risen at an average annual rate of 6.4 percent, considerably slower than both menu prices and grocery store prices.

Real eating place sales (sales adjusted for inflation) have averaged a 3.2 percent yearly gain during the Seventies. Inflationary pressures, primarily in the latter part of the decade have caused real eating place sales growth to slow, however.

In summary, the foodservice industry has enjoyed exceptional growth during the Seventies and has weathered both good and bad economic times.

1980 FOOD SUPPLY AND PRICE OUTLOOK

In early November the U.S. Department of Agriculture held its annual Food Outlook Conference, highlights of which are presented in this article. We have summarized USDA's forecast for food-at-home and food-away-from-home prices as well as the outlook for wholesale meat prices and supplies.

The Department of Agriculture expects overall food prices to moderate in 1980 from this year's double digit pace. The farm value of food will rise only one percent in 1980, while costs for transportation, labor, energy and packaging will be up a combined 10.0 percent, according to Kenneth Farrell of USDA. Thus, retail food prices, prices paid for food at the grocery store by consumers, are expected to advance 7.0 percent next year. Because the foodservice industry will be faced with higher labor and energy costs, USDA predicts menu prices will rise at a 9.7 percent pace, substantially faster than grocery store prices. NRA also expects menu prices to rise 9.7 percent in 1980.

During the first half of 1980 supplies of meat, particularly pork and poultry, will be larger than during the first half of 1979. As a result, pork and poultry prices will be lower and increases in beef prices will be less sharp than those of early 1979. Production costs will be higher because of higher feed costs, but demand for meat will probably be down due to the weaker economy during the first six months of next year. In the last half of 1980, pork and poultry producers may cut back on production because of the poor rate of return they are receiving. In addition, the economy will be moving out of the recession, and demand for meat will most likely increase. Thus, it is very likely that wholesale prices for all types of meats will rise in the last half of 1980 over their first half levels.

NRA Opens New Headquarters in Washington, D.C.

On November 26th the National Restaurant Association moved into its new headquarters in Washington, D.C. NRA's new address, phone number and new toll-free number are:

National Restaurant Association
311 First Street, N.W.
Washington, D.C. 20001
Phone: 202-638-6100
Toll-Free: 800-424-5156

We will still maintain an office in Chicago which will have the same address and phone number as before along with the same toll-free number, 800-621-1770. NRA's annual trade show will continue to be held in Chicago, and our Convention and Education Departments will also remain in Chicago.

Departments now located in Washington include: Legislative, Public Affairs, Planning, Research, Information Resource Center, Membership, Political Education, Personnel and Finance. In addition, the Educational Materials Center and the Accounting Department will move to Washington in the Spring of 1980.

NRA

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NATIONAL RESTAURANT ASSOCIATION

FOODSERVICE TRENDS

Volume 2, Number 1
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analysis and interpretation
- the industry
- the market
- consumer behavior and attitudes

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MENU CONTENT INFLUENCED BY CONSUMER HEALTH CONCERNS AND INTEREST IN NUTRITION

Changing consumer lifestyles and greater consumer interest in "total fitness" are having an impact on what the public eats both at home and in restaurants. Interest in nutrition is being sparked by a small number of vocal consumer groups which are advocating that more nutritional information be included on food labels and that attention be paid to the nutrition content of restaurant foods. The Food and Drug Administration, the Federal Trade Commission and the U.S. Department of Agriculture have been conducting hearings and research studies in an attempt to determine what information is needed and wanted by consumers with respect to food labeling. Private organizations such as Roper have also questioned the public on their attitudes and knowledge about nutrition through their ongoing public opinion surveys.

The National Restaurant Association published a quantitative study in 1977 which deals with nutrition and dining out. Also, in June of last year the NRA engaged in a qualitative research study which was the first phase of a two phase project. The purpose of this portion of the project was to explore the nutritional expectations of restaurant patrons. The study itself is based on a series of six focus groups (panel discussions of ten persons led by a trained researcher). Participants included both men and women between the ages of 25 and 55 who would be classified as frequent restaurant patrons. All expressed a general interest in nutrition and felt they knew more about the subject today than they did five years ago. We believe that many of the findings from this study mirror results from other surveys done by private and public concerns and also provide some further insight into the nutritional expectations of restaurant patrons.

Findings from this qualitative research which may be of particular interest to readers include the fact that people are eating less and eating different foods. They are interested in how food is prepared and have little desire for further nutritional information on menus. These findings are discussed further in the following sections of this report. Readers should view these results as preliminary until they are confirmed by additional quantitative research.

Later this year NRA will be engaged in the second phase of our nutrition research project and this phase will be a comprehensive study to confirm and further elaborate on the qualitative study. Key things we will follow up include whether or not people are eating less and what they are eating less of, what if any nutritional information should be included on menus, nutritional expectations of consumers in eating out versus eating at home, where the nutrition responsibility lies—with the patron and/or the restaurant operator and general consumer nutritional needs. If there is a particular aspect dealing with nutrition and dining out which any of our readers wish us to further explore in this upcoming study, please contact Bette Hoyt at NRA's Washington Office.

We have presented some findings from all these research studies here and believe that the information will be particularly helpful to foodservice operators when considering menu changes. We remind readers that the data presented here are of an informative nature and intended to alert restaurateurs to underlying consumer attitudes and behavior primarily in the area of nutrition. Although some of the findings deal with labels on foods purchased for home consumption, we still feel they are important to our industry because they reflect consumer wants and needs for the foods they consume.

Consumer Health Concerns Reflected in Types of Foods Eaten

Per capita consumption data for different foods between 1970 and 1979 indicate that consumers are eating less red meats, fats and starches and eating more poultry, fish, fruits and vegetables, as shown in the accompanying table. Consumption of such high cholesterol items as beef, veal and eggs is down, while that for protein substitutes such as poultry, fish and cheese is on the increase. In addition, per capita consumption of fruits and vegetables has increased considerably but sugar consumption is down. It is probable that at least part of the changes in foods consumed in this period is related to price. A look at Consumer Price Index data during the Seventies shows that prices for beef, veal and sugar have risen at a considerably faster pace than those for pork, poultry and vegetables.

Per Capita Consumption of Major Food Commodities, 1970-1979

Food	Pounds Per Person 1970	Pounds Per Person 1979	Percent Change
Beef and Veal	235.5	227.6	− 3.4%
Pork	62.0	64.8	+ 4.5%
Fish	11.8	13.4	+13.6%
Chicken	40.5	51.8	+27.9%
Eggs	39.5	35.8	− 9.4%
Cheese	11.5	17.9	+55.6%
Milk	296.0	284.2	− 4.0%
Fresh Fruit	79.3	80.5	+ 1.5%
Frozen Fruit Juices	9.8	11.8	+20.4%
Chilled Fruit Juices	4.7	6.4	+36.2%
Fresh Vegetables	91.0	97.2	+ 6.8%
Frozen Vegetables	9.6	11.1	+15.6%
Sugar	101.8	91.6	−10.0%

SOURCE: U.S. Department of Agriculture.

In 1977 the U.S. Department of Agriculture conducted a nationwide food consumption survey in an attempt to determine what if any changes had occurred in our consumption of different types of foods between 1965 and 1977. The results indicate that caloric intake for individuals in 1977 was lower than in 1965, 2,900 calories versus 3,210. This was due to an overall drop in the three main energy-producing nutrients—protein, fat and carbohydrates.

Other findings from the 1977 USDA consumption study indicate that the decline in carbohydrates was the result of decreased use of bread and cereals, milk products, sugar and candy; however, consumption of soft drinks, punch and sugar desserts increased. Ascorbic acid intake rose 35 percent during the twelve year period due to rising consumption of citrus fruit and juice as well as fortification of foods and beverages with Vitamin C.

NRA's qualitative study on the nutritional expectations of restaurant patrons confirmed many of these USDA findings as well as providing some further insight into consumer behavior as it relates to food consumption. The study showed that some consumers were replacing traditional snack foods with raw fruits and vegetables in order to cut down on sugar and salt intake and that fish and fowl were being used as substitutes for red meats. In addition, participants in this NRA research project indicated that they were reducing their food intake, and in particular, reducing the amount of cholesterol, salt and carbohydrates consumed as a means to avoid high blood pressure or cardiac disease.

Closer Attention Paid to Method of Food Preparation

The National Restaurant Association in two separate studies attempted to determine if restaurant patrons had any preferences for the way food was prepared, and both these studies indicated that method of food preparation was important and certain methods were preferable to others.

In 1977 NRA released a study titled *Consumer Reactions Toward Restaurant Practices/Responsibilities* in which one section dealt with nutrition in restaurant dining. Technique of cooking along with offering balanced meals rate as the most important aspects of nutrition in restaurant dining. The study further revealed that baking or roasting and broiling were the most desirable methods of preparing the main course in restau-

NRA FOODSERVICE TRENDS

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rants while frying was perceived as a less desirable method of preparation. These results are summarized in the following table.

Desirability of Various Methods of Preparing the Main Course (Average Rating)[1]

Method of Preparation	Rating
Baking/roasting	1.68
Broiling	1.72
Steaming	2.90
Boiling	3.00
Frying/deep frying	3.19
Serving uncooked	3.60

[1] On a scale of 1 to 5 where 1 = extremely desirable, 5 = not at all desirable, and 3 represents a neutral position.

In June 1979 NRA completed some preliminary research dealing with the nutritional expectations of restaurant patrons, and information from this study reaffirm that patrons are interested in how their food is prepared. Frying as a cooking method was to be avoided as a way of cutting down on consumption of fats, while baking was perceived as a more healthful way to prepare meat, fish and fowl. Patrons also indicated that vegetables which had been steamed or served raw were more desirable than those which had been boiled in water.

Growing Interest in Nutrition

Interest in nutrition is growing, and is identified with physical well-being, better quality of life and variety of foods eaten. A study conducted by Yankelovich, Skelly and White, Incorporated for *Woman's Day* titled "Nutrition: A Study of Consumers' Attitudes And Behavior Towards Eating At Home And Out of Home" reported that 77 percent of the respondents said they were more interested in nutrition today than they were a few years ago compared to only 4 percent who have less interest.

Consumers generally believe that they are adequately informed on nutrition. The Woman's Day study showed that 63 percent of those surveyed felt they were fairly well informed and 24 percent (nearly one-fourth) felt they were very well informed. Only 13 percent felt that they were not well informed, with men, singles, lower socioeconomic groups and minorities more likely to fall into this category.

Results from two public opinion polls conducted by the Roper Organization in 1976 and 1979 show that the public is becoming more informed about the nutritive value of various foods. These results are summarized in the following table.

How Well Informed People Feel About the Nutritive Value of Various Foods

	January 1979	January 1976
Know what need to know	39%	34%
Need to know a little more	37%	40%
Need to know a lot more	19%	22%

A look at the demographic characteristics of respondents shows that women and the upscale in income, education and occupation feel they know what they need to know about the nutritive value of foods. On the other hand, men, blacks and the downscale in income, education and occupation indicated they need to know a lot more.

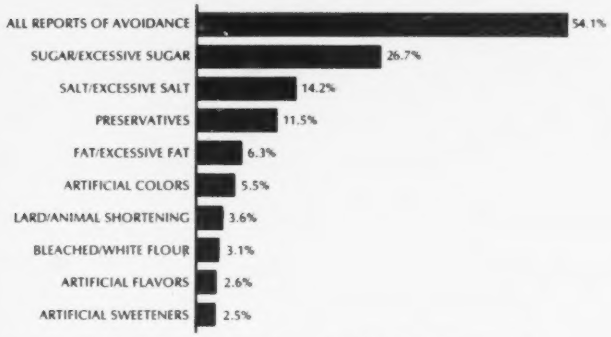
What makes this information particularly important to foodservice operators is that the demographic characteristics of those who feel they know a lot about nutrition are very similar to frequent restaurant patrons. Therefore, it would be highly likely that these frequent patrons because they perceive themselves as being more knowledgeable about nutrition may carefully review menus and opt more often for those items which they feel to be nutritious and healthful, i.e., salads, fish, fresh fruits.

Food Labeling Information Used to Avoid Certain Subtances

In 1978 the Food and Drug Administration (FDA) in cooperation with the U.S. Department of Agriculture and the Federal Trade Commission embarked on a study to evaluate consumer usage of current information on food labels and the desire for further or additional information. A major finding from this study was that consumers are not nearly as concerned with the possible absence of good qualities from their food as they are with the possible existence of bad or hazardous qualities. Only one percent of those questioned expressed any concern with the general nutritive value of their food supply, but one person in eight expressed a concern with the possible negative health effects of ingredients used in food.

In response to questioning dealing specifically with the food label, it was found that over half of the food shoppers pay attention to ingredient information and use the information to avoid such substances as sugar, salt, preservatives and fat. (See accompanying chart). About one out of five consumers stated that the nutrition information on the food label was particularly useful, and only 6 percent pay attention to the entire label. Most of those surveyed were interested in calories and vitamin information.

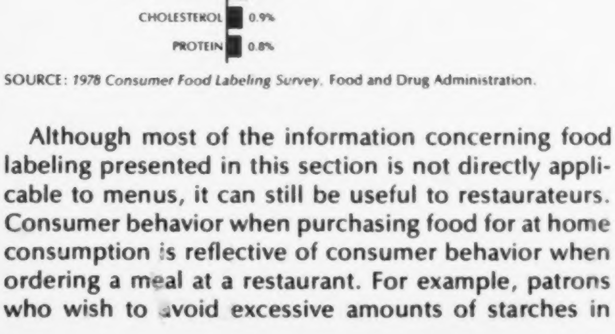
Ingredients Most Often Avoided



SOURCE: *1978 Consumer Food Labeling Survey*, Food and Drug Administration.

This FDA report did show that consumers find some of the information on nutrition labels confusing. Consumers appear to have the most difficulty with technical and chemical data and would like this reduced, simplified or eliminated. Only one consumer in twelve had any suggestions relative to improving the nutrition label, with most suggestions directed at calorie information. The only information not shown on current labels which is desired by consumers is sugar content, with starch content a distant second. Again, it appears that consumers are more interested in information about things they wish to avoid than about things they wish to acquire.

Most Frequently Mentioned Nutrition Information



SOURCE: *1978 Consumer Food Labeling Survey*, Food and Drug Administration.

Although most of the information concerning food labeling presented in this section is not directly applicable to menus, it can still be useful to restaurateurs. Consumer behavior when purchasing food for at home consumption is reflective of consumer behavior when ordering a meal at a restaurant. For example, patrons who wish to avoid excessive amounts of starches in their diets will probably forego bread and butter with their meal and may opt for broccoli rather than a potato. Operators can further use this food labeling information to analyze their own menu items in terms of sugar, salt and fat content as well as use of preservatives and additives. This could be very valuable when answering patron questions concerning the food eaten in foodservice establishments.

Consumer Desire for Additional Nutrition Information on Menus is Low

The National Restaurant Association through its two primary research studies has been able to determine that patron interest for additional nutrition information is low. *The Consumer Reactions Toward Restaurant Practices/Responsibilities* study showed that 85 percent of the respondents believe there is no nutritional information not currently included in menu descriptions that should be included. The 15 percent who do desire additional information, however, would like to see information on artificial ingredients used, calorie count and fresh versus frozen. Readers may be interested to find that 65 percent of those questioned believe restaurants have a nutritional responsibility for their customers. The most frequently mentioned nutrition aspects for restaurants include serving well balanced meals, serving fresh food, serving "nutritious" food and offering quality food.

NRA's most recent research study dealing with the nutritional expectations of restaurant patrons found that nearly all patrons were against mandatory requirements for nutritional information on menus. The most frequently cited reasons for this include:

- Increased cost to the restaurant patron
- Creation of another bureaucratic organization
- Unwarranted governmental interference
- Impossible for the small operator to conform
- Unmanageable menu
- Elimination of the inherent enjoyment and recreational aspects of eating out

The findings from this study also revealed that restaurant operators may want to include some nutritional information on a voluntary and marketing basis if they want to appeal to a particular market segment. For example, some operators may wish to include calorie and carbohydrate information if they wish to appeal to the health conscious patron. Other operators may similarly wish to tell their patrons that nutritional information concerning menu items is available upon request.

Today's restaurant patron is probably more health conscious and as a result pays close attention to his/her diet. In particular, these patrons are looking for foods they wish to avoid as well as new foods they are eating. Foodservice operators would, therefore, do well to analyze their customer wants and alter menus to offer items which are popular at the present time. In addition, it would be advantageous to them to become more knowledgeable on the content of their menu items to answer questions from their more health conscious patrons.

NORTHEAST AND MIDWEST TO BE MOST EFFECTED BY RECESSION

As we reported in the December issue of *Foodservice Trends* the U.S. economy will be experiencing a recession through the first half of this year. In an effort to determine the impact of this economic downturn on various regions the Conference Board held a Regional Economic Forum in the Summer of 1979. In addition, Chase Econometrics has forecast unemployment rates by region for both 1980 and 1981 which indicate that the effects of this recession will not be felt equally in all parts of the country. We have, therefore, put together a brief summary of the regional recession forecast which may be helpful to foodservice operators across the country.

Overall, this year's economic downturn is not expected to be as severe as the one in 1974; however, the most severely hit regions will be those which depend heavily on durable goods manufacturing such as steel and automobiles. Areas which have experienced rapid economic growth over the past few years, have relatively cheap resources and an adequate labor supply will be less effected. Regions which depend primarily on agriculture are usually not affected by recessions to the same degree as those regions which depend on industry. Chase Econometrics expects the unemployment rate in the U.S. to reach 8.0 percent in 1980, up considerably from 6.1 percent last year. In 1981, the rate should decline slightly to 7.9 percent of the labor force. The following highlights the regional recession outlook.

1980 Recession: A Regional Outlook

Region **Economic Forecast**

Northeast

The Northeast will be one of the hardest hit areas because of its dependence on heavy manufacturing. The impact will be softened to some extent by the growing number of high technology firms located in this section of the country. Unemployment in the New England states will reach 8.5 percent of the work force this year as compared to 6.1 percent last year and decline to 8.4 percent in 1981. In the Middle Atlantic States, the unemployment rate should rise from 7.3 percent in 1979 to 9.8 percent in 1980 and to 10.0 percent in 1981.

South Atlantic

Economic activity in the South Atlantic States will slow to some extent due to a weakness in construction and manufacturing industries which are located primarily in Maryland, Delaware and Virginia. A loss in employment in the textile industry is expected, but will be offset by increasing employment in the food processing, printing, and paper industries. Unemployment will be less than that in the total U.S., with a rate of 7.6 percent in 1980 and 7.4 percent in 1981, both considerably higher than 1979's rate of 5.8 percent.

East North Central

Economic activity in this region, is expected to decline as sales of automobiles and other consumer goods slow. However, many of the excesses of the previous 1974 recession are not present which suggest the current downturn may be less severe. The unemployment rate will be higher than the U.S. average, 8.5 percent this year and then declining to 8.3 percent in 1981. In 1979 the unemployment rate for this region was a relatively low 6.4 percent of the work force.

East South Central

The outlook for this region is similar to that for the South Atlantic Region. Declining employment in the textile industry will be somewhat offset by increasing employment in other industries such as food processing and paper. Unemployment will rise to 7.5 percent of the labor force by the end of this year from 6.2 percent last year and then drop to 7.0 percent in 1981.

West North Central

Strong export demand for farm products, particularly corn and wheat, will help raise farmers' income. Unemployment will be considerably below that for the total U.S., with a similar 5.3 percent rate in both 1980 and 1981. In 1979 unemployed persons in this region accounted for only 4.0 percent of the work force.

West South Central

The impact of the recession should be minimal. The most serious problems facing this region are inflation and the fact that the area uses more energy than it produces. Unemployment will reach 6.3 percent of the labor force this year up from 5.0 percent in 1979 and decline to 6.1 percent next year, both well below the overall U.S. rates.

Mountain

The regional economy will slow because of slightly higher unemployment and lower personal income growth; however, the area will maintain a faster pace of economic growth than the nation as a whole. Unemployment will rise from 5.4 percent in 1979 to 6.8 percent in 1980 and then decrease to 6.6 percent in 1981.

Pacific

This region is not expected to experience a recession in 1980 because of the strength and diversity of its economy, which has been expanding faster than the total U.S. economy. California and Washington will see growth in employment because of the aerospace and service industries. Alaska, Oregon and Hawaii, on the other hand, may face some difficulties because their major industries are not so diversified. Overall unemployment will be slightly higher than the U.S. average, 8.8 percent in 1980 and 8.7 percent in 1981, both substantially higher than the 6.9 percent rate last year.

WINE CONSUMPTION IN RESTAURANTS POSTS CONTINUED EXPANSION

Recent information from the CREST survey, a diary panel of 10,000 families, shows that wine consumption away from home in restaurants continued to expand substantially in the past year despite declines in customer traffic. The number of occasions on which wine was served posted an 8.8 percent gain in the year ending August 1979 from the previous 12 month period. Cocktails were the only other beverage served on more occasions in the most recent year than in the previous year ending August 1978.

Customer traffic declined by 1.1 percent in the CREST year ending August 1979. Servings of fruit or vegetable juice and beer were off by a similar amount while servings of soft drinks were off 1.5 percent. The number of occasions on which shakes were served dropped by a substantial 11.4 percent, however.

A look at order frequency or the percent of total occasions on which a particular beverage was served confirms the increasing popularity of wine, the only beverage served on a larger percentage of occasions in each of the past two years. On the contrary, the popularity of shakes or malts, coffee, milk and tea appears to be on the wane.

Fastest Growing and Declining Beverages

	Percent Change in Number of Occasions on which Beverage was Ordered Year ending . . .		Order Frequency (% of Occasions on which Beverage was Served) Year ending . . .	
	August 1979	August 1978	August 1979	August 1978
Wine	+ 9%	+15%	1.1%	1.0%
Cocktails	+ 4%	− 1%	2.1%	2.0%
Fruit/Vegetable Juice	− 1%	+ 5%	2.5%	2.5%
Beer	− 1%	+ 4%	2.0%	2.0%
Soft Drink	− 2%	+ 5%	29.5%	29.6%
Coffee	− 2%	− 1%	17.8%	18.0%
Milk	− 3%	− 3%	4.2%	4.3%
Tea	− 4%	− 5%	6.0%	6.2%
Shakes/Malts	−11%	N/C	4.3%	4.8%
Total Eater Occasions	− 1%	+ 4%	—	—

SOURCE: CREST data average two weeks during year.

ROPER REPORTS: MAJORITY OF RESTAURANT PATRONS REPORT THEY RECEIVE GOOD SERVICE

In late September the Roper Organization surveyed the public with regard to how frequently they receive good service in restaurants. Restaurateurs will be interested to note that 56 percent of those surveyed said they almost always or often receive good service in restaurants. Of particular importance in this survey is the overwhelmingly positive response of those in the upper income brackets ($15,000+) and those with college educations, where six out of ten report receiving good service in restaurants. CREST data show that these demographic groups generally represent frequent restaurant patrons who have a greater familiarity with dining in restaurants of all types. Blacks and senior citizens, however, seem to be the most likely recipients of poor service when dining out.

How Frequently Are You Getting Good Service in Restaurants?

Almost Always	20%
Often	36%
Sometimes	31%
Almost Never	7%
Don't Know	6%

Foodservice operators are aware that guest satisfaction is important to a successful eating establishment. In 1978 the NRA commissioned a study on "The Measurement of Guest Satisfaction in the Foodservice Industry," which revealed that good service is a frequent source of guest compliments.

Other information in this latest Roper report which will be of interest to restaurateurs deals with the proportion of respondents who have eaten lunch or dinner at a restaurant in the past seven days. Fifty-three percent said they had eaten lunch at a restaurant at least once in the past week. Employed women were more likely than all women to have lunched at a restaurant, 53 precent versus 48 percent; however, the portion of men was higher than both (59 percent). Nearly four out of ten of those surveyed stated they had had dinner at a restaurant in the past week, with over half of those with incomes above $25,000, those with some college education and those working in white collar occupations have eaten the evening meal at a restaurant. Other consumer studies, such as CREST, substantiate these demographic patterns for frequent restaurant goers.

In the same Roper Report respondents were questioned about their food expenditures. Sixty-eight percent stated they were being more careful in their expenditures for food, down substantially from 76 percent in March. Three out of ten respondents said they were eating out less in restaurants, which is a considerable decline from the four out of ten reported in March of this year. It would appear that the consumer is reverting to his/her former behavior and "learning to live with inflation." It is notable that eating out less ranked ninth out of 10 items shown to respondents as a means to conserve on food expenditures. The top two responses selected include buying more things on sale and buying less expensive cuts of meats; however, both of these are down from their highs earlier this year.

Information about other consumer opinions and behavior concerning economic related issues include the following:

- 64 percent are cutting down on the luxuries of life, down slightly from 67 percent in March.
- The only means of coping with inflation which is employed by more consumers now than in March is reduced use of their car. Fifty-one percent say they are using the car less compared to 42 percent in March, probably because the price of gasoline rose considerably during the summer months.
- Fifty-six percent of the respondents feel they are worse off economically now than at the same time last year.
- Over half feel that coping with inflation requires drastic action, with those with incomes over $25,000, college education and executives and professionals most likely to adhere to this view.

1977 RETAIL CENSUS UPDATE

Complete data from the *1977 Census of Retail Trade* on eating place sales by restaurant type for all fifty states and the District of Columbia have now been released. Readers are reminded that information on twenty-seven states was published in the October *Foodservice Trends*. Data for the remaining twenty-four states have been summarized in an accompanying table. In addition, we have also provided a regional summary of eating place sales by restaurant type.

Sales and establishment count data shown here are for eating places with payroll only and do not include "mom and pop" operations having no paid employees. These establishments with no payroll numbered 36,609 and had sales of $1.2 billion in 1977. Data for the following restaurant categories are included: restaurants and lunchrooms (establishments which offer tableservice), cafeterias, refershment places (limited menu-fast food restaurants which do not offer table service) and other eating places (contract feeders as well as ice cream and frozen custard stands).

Refreshment Place Sales Double in Five Years

Refreshment places were the only eating place category where sales doubled during the 1972-1977 period. Sales for these establishments rose 128.7 percent from $8.5 billion to $19.5 billion, representing an averag annual increase of 18.0 percent. Total eating place sales,

Eating Place Sales, 1972 vs. 1977

	Sales (000,000)		Percent Change	Average Annual Percent Change
	1972	1977	1972-1977	
Restaurants and Lunchrooms	$16.6	$28.5	71.0%	11.3%
Cafeterias	1.6	1.8	16.1%	3.1%
Refreshment Places	8.5	19.5	128.7%	18.0%
Other Eating Places	2.5	4.6	80.2%	12.5%
Total Eating Places	$29.2	$54.4	85.6%	13.2%

SOURCE: *1977 Census of Retail Trade*, U.S. Department of Commerce, Bureau of the Cens on the other hand, advanced at a lower yearly pace of 13.2 percent. Restaurant and lunchroom sales have risen from $16.6 billion in 1972 to $28.5 billion in 1977. Their rate of increase has been lower than overall eating place sales. Cafeterias have enjoyed relatively good sales gains in the Sunbelt and Mountain states, but in the Midwestern and Northeastern states cafeteria sales declined between 1972 and 1977.

Information on 1972 and 1977 nationwide sales for all restaurant types is shown in the table on page 8.

Menu Prices Rise 52.8% Between 1972 and 1977

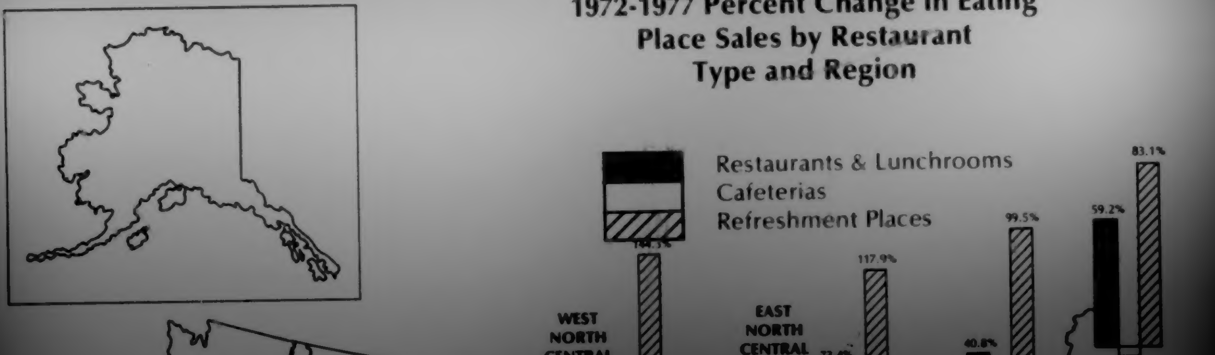
Menu prices, according to the Consumer Price Index for food-away-from-home, rose 52.8 percent during the five year period from 1972 to 1977, considerably slower than the 85.6 percent advance for eating place sales. Real eating place sales, sales adjusted for inflation, increased 32.8 percent, for an average annual gain of 5.8 percent during the five year time span.

Total retail sales for establishments with payroll according to the *1977 Census of Retail Trade*, were up 58.9 percent, and considering that total inflation rose 44.8 percent, real retail sales advanced only 14.1 percent, substantially below that for eating places. Food store sales, in real terms, increased only 2.1 percent during the entire 1972-1977 period.

Southern and Mountain Regions Are Sales Leaders

Eating place sales displayed the fastest growth in the Southern and Mountain States, with total sales doubling

1972-1977 Percent Change in Eating Place Sales by Restaurant Type and Region



in the East South Central, West South Central and the Mountain Regions. On the other hand sales gains were less than the national average in the New England, Middle Atlantic and East North Central Regions.

The accompanying table compares the growth in eating place sales with personal income, per capita income and population growth between 1972 and 1977 for the nine U.S. regions. There appears to be a strong correlation between eating place sales growth and gains in personal income and [illegible]. Those regions where income and p[illegible] been the greatest [illegible] the same [illegible] experienced very strong eating place sa[illegible] example, eating place sales in the West South [illegible] Region, which includes Texas, rose 114.1 percent while per capita income was up 69.7 percent and the population increased by 8.6 percent, all of which outpaced the total U.S. The same pattern is found in the East South Central, Mountain and Pacific Regions. The Middle Atlantic Region, which was the only region which actually lost population, had eating place sales growth and income growth considerably below the national average.

A look at sales growth by type of restaurant and by region shows that sales for refreshment places have more than doubled in all but two regions, with the 174.7 percent gain made [illegible] South Central Region [illegible] the [illegible] restaurants and [illegible] as those for [illegible] registered the largest sales advance for this restaurant type, with an increase of nearly one hundred percent. Of all restaurant types shown here, cafeterias appear to be the most regionalized. Sales are strong in the Southern and Mountain states but are very poor in the Northeast and Midwestern states.

Eating Place Sales Versus Personal Income, Per Capita Income and Population, 1972-1977

	Eating Place Sales	Personal Income	Per Capita Income	Population
New England	69.2%	52.4%	50.8%	1.1%
Middle Atlantic	59.0%	46.7%	48.7%	(0.8%)
East North Central	81.2%	59.4%	58.3%	0.6%
West North Central	93.4%	61.4%	58.2%	1.6%
South Atlantic	91.6%	65.9%	55.0%	7.5%
East South Central	104.9%	71.2%	62.6%	5.2%
West South Central	114.1%	84.2%	69.7%	8.6%
Mountain	113.5%	77.4%	57.3%	13.0%
Pacific	94.7%	73.4%	61.0%	7.6%
Total U.S.	85.6%	62.9%	56.7%	3.9%

SOURCES: Bureau of the Census; Bureau of Economic Analysis.

[illegible]ting Place Sales By [illegible]nd Restaurant Type, 1977

	[illegible]	[illegible]	[illegible]	% Change '72-'77	Avg. Annual Percent Increase in Sales
[illegible]					
[illegible]	[illegible]	[illegible]	[illegible]	70.9	11.3
[illegible]	[illegible]	[illegible]	[illegible]	D	D
[illegible]	[illegible]	[illegible]	[illegible]	73.7	11.7
[illegible]	[illegible]	[illegible]	[illegible]	D	D
[illegible]					
[illegible]	[illegible]	[illegible]	470,241	59.6	9.8
[illegible]	[illegible]	[illegible]	39,292	38.2	6.7
Refresh. Places	[illegible]	[illegible]	455,535	138.5	19.0
Other	[illegible]	77.5	119,661	131.9	18.3
District of Columbia					
Rest. & Lunch	[illegible]	(2.3)	184,529	52.3	8.8
Cafeterias	[illegible]	13.8	20,986	28.9	5.2
Refresh. Places	[illegible]	[illegible]	78,194	79.1	12.4
Other	[illegible]	[illegible]	64,596	32.4	5.8
[illegible]					
[illegible]	[illegible]	[illegible]	[illegible]	76.4	12.0
[illegible]	[illegible]	[illegible]	[illegible]	53.5	9.0
[illegible]	[illegible]	[illegible]	[illegible]	150.2	20.3
[illegible]	[illegible]	[illegible]	[illegible]	33.1	5.9

	# of Establish. 1977	% Change '72-'77	Sales [illegible] 1977	% Change '72-'77	Av Ann Perc Incre in Sa
West Virginia					
Rest. & Lunch	792	(10.8)	133,523	81.1	12.6
Cafeterias	50	(40.5)	13,359	(7.8)	(1.5)
Refresh. Places	639	9.2	135,530	168.6	22.8
Other	181	44.8	23,915	33.1	5.9
North Carolina					
Rest. & Lunch	2,731	15.8	472,217	77.8	12.2
Cafeterias	181	86.6	59,252	46.6	8.0
Refresh. Places	2,332	27.2	507,513	150.0	20.1
Other	341	31.1	68,956	61.2	10.0
South Carolina					
Rest. & Lunch	1,283	22.8	226,669	87.0	13.4
Cafeterias	78	(11.4)	22,422	67.7	10.9
Refresh. Places	1,160	33.3	253,102	145.7	19.7
Other	160	36.8	40,314	77.7	12.2
Georgia					
Rest. & Lunch	2,141	11.7	464,235	63.4	10.3
Cafeterias	210	(21.1)	66,189	26.9	4.9
Refresh. Places	2,303	34.3	555,080	132.0	18.3
Other	285	54.9	73,641	95.3	14.3

	# of Establish. 1977	% Change '72-'77	Sales 000 1977	% Change '72-'77	Avg. Annual Percent Increase in Sales
Florida					
Rest. & Lunch	4,903	15.4	1,467,474	80.7	12.5
Cafeterias	331	17.4	129,032	63.5	10.3
Refresh. Places	3,756	26.8	863,881	119.5	17.0
Other	559	30.9	156,650	80.7	12.5
WEST SOUTH CENTRAL					
Arkansas					
Rest. & Lunch	1,104	(4.2)	147,019	72.6	11.5
Cafeterias	80	(3.6)	17,255	54.8	9.1
Refresh. Places	1,026	43.9	174,569	183.9	23.2
Other	122	(11.0)	16,869	29.1	5.2
Louisiana					
Rest. & Lunch	1,597	(1.4)	351,075	80.9	12.6
Cafeterias	115	13.7	48,052	55.5	9.2
Refresh. Places	1,486	33.6	341,552	188.6	23.7
Other	207	24.7	96,970	104.6	15.4
Oklahoma					
Rest. & Lunch	1,647	1.5	271,117	81.4	12.7
Cafeterias	138	(5.5)	42,375	44.7	7.7
Refresh. Places	1,738	43.0	294,462	165.3	22.5
Other	217	(7.7)	49,945	72.9	11.6
Texas					
Rest. & Lunch	6,275	(0.2)	1,391,162	93.4	14.1
Cafeterias	592	(8.4)	268,691	62.0	10.1
Refresh. Places	7,029	43.5	1,399,376	172.5	22.1
Other	822	10.6	214,143	85.6	13.2
ST SOUTH CENTRAL					
ucky					
t. & Lunch	1,486	5.9	288,820	73.5	11.7
terias	178	21.1	31,316	26.2	4.8
sh. Places	1,350	49.2	332,945	170.8	22.0
	206	19.8	38,287	76.0	12.0
Lunch	2,113	4.5	423,896	86.3	13.3
rias	165	5.7	44,791	31.0	5.6
h. Places	1,798	32.1	392,537	142.1	19.4
	269	20.0	54,173	55.5	9.3
t. & Lunch	1,364	2.6	248,164	85.1	13.1
feterias	132	5.6	38,261	31.1	5.6
fresh. Places	1,463	32.3	304,407	150.6	20.4
her	245	23.1	54,317	124.0	17.5

	# of Establish. 1977	% Change '72-'77	Sales 000 1977	% Change '72-'77	Avg. Annual Percent Increase in Sales
Mississippi					
Rest. & Lunch	888	(11.0)	124,940	59.2	9.8
Cafeterias	46	0.0	10,185	54.2	9.1
Refresh. Places	863	24.9	171,554	171.2	22.2
Other	121	10.0	32,266	162.1	21.4
WEST NORTH CENTRAL					
Minnesota					
Rest. & Lunch	2,348	4.2	575,386	93.2	14.1
Cafeterias	92	(28.1)	13,120	(25.6)	(4.7)
Refresh. Places	1,448	15.3	290,106	121.6	17.2
Other	309	13.2	53,319	67.9	10.9
Iowa					
Rest. & Lunch	1,982	(6.2)	336,274	81.0	12.6
Cafeterias	102	(15.0)	28,682	58.0	9.6
Refresh. Places	1,327	20.0	234,162	128.3	18.0
Other	230	24.3	30,334	62.2	10.2
Missouri					
Rest. & Lunch	2,608	(1.8)	557,318	64.6	10.5
Cafeterias	208	(29.7)	59,120	1.2	0.3
Refresh. Places	2,111	23.7	467,719	153.4	20.5
Other	434	15.4	88,336	89.7	13.7
North Dakota					
Rest. & Lunch	449	(10.0)	83,386	110.9	16.1
Cafeterias	26	23.8	D	D	D
Refresh. Places	245	22.5	41,132	157.4	21,8
Other	48	20.0	D	D	D
South Dakota					
Rest. & Lunch	603	3.8	95,110	105.7	15.5
Cafeterias	19	(32.1)	2,932	66.6	10.8
Refresh. Places	279	10.7	39,692	90.5	13.8
Other	54	25.6	6,685	25.8	4.7
Nebraska					
Rest. & Lunch	1,033	(4.7)	202,008	66.9	10.8
Cafeterias	48	(34.3)	10,474	49.2	8.3
Refresh. Places	656	22.4	131,046	158.7	21.7
Other	131	18.0	18,586	39.3	6.9
Kansas					
Rest. & Lunch	1,491	(5.4)	234,408	64.2	10.4
Cafeterias	65	(28.6)	17,941	40.7	7.1
Refresh. Places	1,301	29.7	250,802	179.0	23.8
Other	170	14.9	33,898	126.1	17.7

E: Sales and Establishment data are for eating places with payroll.
'D': Information withheld to avoid disclosing data for individual companies.

URCE: *1977 Census of Retail Trade*, U.S. Department of Commerce, Bureau of the Census.

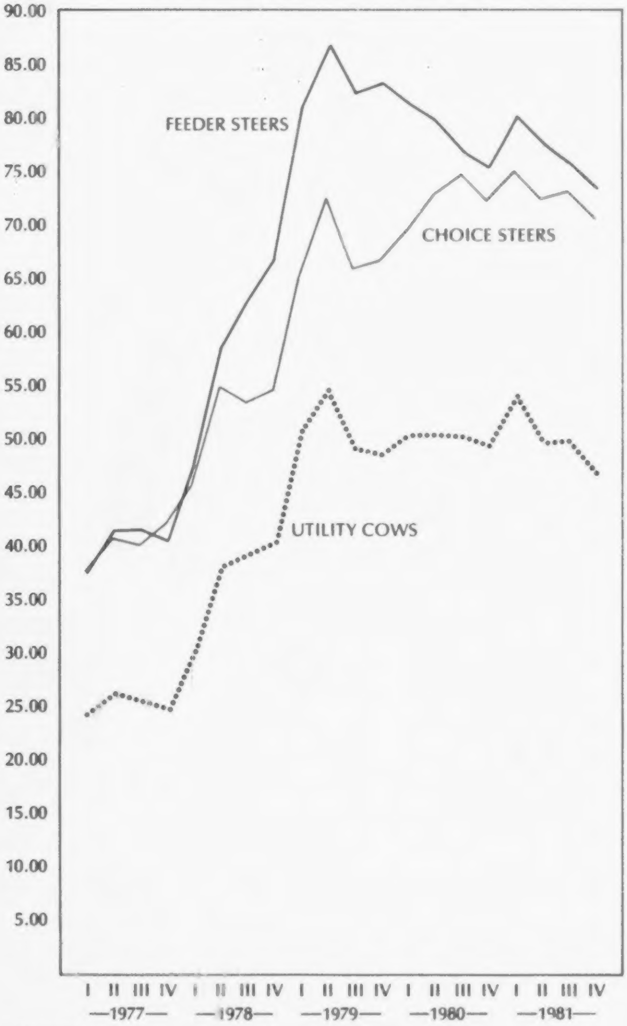
NRA's FOOD COST INDEX UP 2.1% IN NOVEMBER

NRA's Food Cost Index (FCI), which measures wholeale food costs for eating places, rose 2.1 percent beween October and November while wholesale prices r all food rose at a lower 1.4 percent pace. Beef and al prices advanced 3.4 percent in the one month ped and were the major reason for the increase in the I. Other commodities which experienced rising ces in November from the previous month include s (up 14.6 percent), poultry (up 15.4 percent), fresh ables (up 12.4 percent) and roasted coffee (up 2.8 percent). On the other hand, fish and seafood prices at the wholesale level were down 1.5 percent and prices for fresh fruit declined by 12.1 percent during November.

Our Food Cost Index has averaged 10.4 percent higher during the first eleven months of 1979 than in the same period in 1978. We expect wholesale food prices for eating places to moderate slightly this year, however, rising at a 9.0 percent rate. In the remaining portion of this article we present detailed information on the 1980 outlook for specific commodities based on information from the U.S. Department of Agriculture and the Chase Econometric agricultural forecast for 1980 and 1981.

Beef. Beef supplies in 1980 will remain tight as cattle producers continue to expand their herds. James E. Nix, U.S.D.A. Livestock Analyst, expects total domestic beef supplies to be only one percent below 1979's level of 21.1 billion pounds. The quarterly supply pattern this year compared to last year will show supplies down in the first quarter, up in the second quarter and approximately equal in both the third and fourth quarters to the respective 1979 quarters. Beef prices in the first half of 1980 will be slightly lower than they were in the same period last year because of large supplies of competing meats as well as a lessening of demand due to the recession. However, beef prices in the second half will most likely rise from their first half level as the economy strengthens and as supplies of competing meats are reduced.

Cattle Prices, 1977-1981



SOURCES: U.S. Department of Agriculture; Chase Econometrics.

Grain fed cattle slaughter this year will be down 3.5 percent according to Chase Econometrics. Feeder cattle provide choice cuts of beef such as steaks and roasts. The picture in 1981, based on the current Chase Econometric forecast, will be considerably better with grain fed cattle slaughter up 6.0 percent. USDA's Nix said that choice 900-1100 pound steer prices at Omaha will average in the low $70's per hundredweight this year, up about 6 percent from $68 last year. Chase's forecast is in agreement with USDA's and further predicts that choice steer prices in 1981 will average near the 1980 level.

Hamburger meat supplies in 1980 will not be nearly as tight as they were last year. Non-fed cattle slaughter will be down only 2.6 percent from last year compared to a 35.6 percent decline in 1979. Cow slaughter is expected to deccrease by less than one percent this year according to the Chase forecast. Hamburger meat supplies in 1981 will be up if current Chase predictions of respective increases in non-fed cattle and cow slaughter of 8.9 and 8.5 percent are accurate. Prices for hamburger at the wholesale level, as reflected by prices for utility cows, will decline slightly in 1980 because of lower demand due to the economic downturn in the first half and adequate supplies, and will continue to move downward through 1981.

Pork. USDA's Nix expects pork production to continue to increase at least through the first half of 1980, with overall production up 8 to 10 percent over last year's 15.2 billion pounds. Hog prices during the closing months of 1979 were down from their year earlier levels and feed costs were up which resulted in tighter profit margins. Because of this, producers will most likely cut back on production, but due to the life cycle the effects of this will not be felt until late this year and in 1981.

Both pork and total meat production will be up in the first half of 1980 and this together with the lessening of demand due to the recession will result in lower pork prices. Pork prices will probably move higher in the second half, however, because of higher demand and lower supplies. Overall, 1980 hog prices are expected to average in the mid $30's per hundredweight, down considerably from the $42 figure last year.

Chicken: Broiler production in the first few months of 1980 is likely to be higher than during the same period last year; however, production is expected to decline during much of the remainder of the year as profit margins are squeezed. Higher feed costs and large supplies of competing meats such as pork have caused lower profit margins for producers, and as a result USDA expects production to be cut.

Wholesale broiler prices in early 1980 will remain under pressure because of the weak economy and more than adequate supplies of both pork and chicken. During the first half of 1980 USDA economists expect prices to average in the upper 30's, about 10 cents lower than last year. Prices will most likely strengthen in the last half if producers cut back production. As a result overall broiler prices in 1980 will approximate those in 1979 of 44.5 cents per pound.

Eggs. Total 1980 egg production is expected to increase about one percent over last year's 69.0 billion, with most of the increase occurring in the first half. A generally weak economy in the first six months together with adequate supplies will cause prices to drop 5 to 7 cents below 1979's first half average of 67 cents a dozen. Prices for eggs during the July-December period will rise slightly and are expected to equal last year's second half prices of 65 cents a dozen.

Dairy Products. Milk production in 1980 is expected to be about one percent higher than last year's production of 123.5 billion pounds, according to USDA economist Charles N. Shaw. Most of the increase will occur in the first half of this year while production in the second half depends on feed prices, increases in production costs and consumer demand for milk and dairy products.

Early in 1980 milk prices will ease because of increased production, relatively high level stocks at the start of the year and weakening demand. A substantial year-to-year rise is assured by the higher support prices which must be adjusted on April 1, but further increases will be limited because of large USDA stocks.

Vegetables. USDA economist Jules V. Powell expects increasing supplies of most fresh vegetables this year, particularly melons, lettuce and potatoes. Canned and frozen vegetable supplies are also due to rise. Fresh vegetable prices again will be affected by weather as well as transportation costs. Processed vegetable prices are predicted to rise 6 to 7 percent this year due to increased storage, freight and packaging costs.

Fruits. The outlook for fresh fruits this year is plentiful supplies and lower prices for producers. A record citrus crop, a near record apple crop and increasing supplies of most other fruits will result in lower wholesale prices. As with processed vegetables, processed fruit prices will experience some gains because of higher freight and packaging costs.

Wholesale Food Price Index

	PERCENT CHANGE			
	1977-1978	Nov. 1978-Nov. 1979	11 mos. 1978-11 mos. 1979	Oct. 1979-Nov. 1979
FARM PRODUCTS	7.8%	9.6%	13.0%	0.3%
Fresh and Dried Fruits and Vegetables	11.6%	(0.5%)	5.5%	(0.6%)
Eggs	(7.4%)	0.4%	12.0%	14.6%
PROCESSED FOODS AND FEEDS	7.7%	9.1%	10.0%	1.0%
Cereal and Bakery Products	9.9%	13.5%	10.1%	1.4%
Meat, Poultry and Fish	18.5%	8.4%	12.0%	2.2%
Dairy Products	6.5%	9.7%	12.5%	0.4%
Processed Fruits and Vegetables	6.8%	2.9%	10.3%	(0.4%)
Sugar and Confectionary	10.0%	9.9%	8.0%	1.9%
ALL FOOD	10.6%	8.6%	9.7%	1.4%
NRA FOOD COST INDEX (FCI)	11.2%	8.1%	10.4%	2.1%

[1] Includes all processed foods (except soft drinks, alcoholic beverages and animal feeds) plus eggs and fresh and dried fruits and vegetables.

SOURCES: *Producer Price Index*, Bureau of Labor Statistics; NRA.

BREAKFAST CONTINUES TO POST GAINS

Breakfast was the fastest growing meal occasion in terms of customer traffic during the year ending in August 1979. Despite an overall decline in customer traffic of 1 percent, the number of patrons eating a breakfast meal at a restaurant jumped 3 percent in the most recent CREST year following a gain of 8 percent in the year ending in August 1978.

It is notable that average check size climbed only 7 percent for the breakfast meal in the most recent CREST year compared to a more substantial gain of 11 percent for the year ending August 1978. On the other hand, average check size for lunch and dinner meals rose much more rapidly this past year posting gains of 12 to 13 percent and outpaced last year's increases as well.

Breakfast sales rose approximately 10 percent in the year ending August 1979 achieving substantial real growth in excess of 3 percent. On the contrary, average check size advanced more rapidly than sales for both lunch and dinner business, resulting in real sales declines.

The increase in breakfast customer traffic was due primarily to more families purchasing this meal in restaurants. There was also a small increase in number of breakfast occasions among families who did eat out, however.

SALES COMPONENTS OF BREAKFAST
(average 2 weeks)

	Year Ending August 1979	Percent Change (Year Ending) August 1978	Percent Change (Year Ending) August 1979
Dollars (000)	$92,544	+20%	+10%
Eater Occasions (000)	57,431	+ 8%	+ 3%
Average Check Per Person (no tip)	$1.61	+11%	+ 7%
% of All U.S. Families	16.83	—	—
Occasions Per Family Eating Out	3.04	N.C.	+ 2%
Average Party Size	1.81	+ 1%	N.C.
Average Number of Items Per Eater	2.64	N.C.	N.C.

NOTE: N.C. = No Change
SOURCE: CREST data

IMPACT OF SOVIET GRAIN EMBARGO TO BE WATCHED

President Carter's recent embargo of future grain exports to the Soviet Union could conceivably result in lower food prices this year, particularly lower meat prices. It is expected that this embargo will cause livestock feed prices in this country to decline and beef, pork and poultry producers may increase their production levels throughout this year. We will continue to monitor this situation and keep our readers informed in upcoming issues of *Foodservice Trends*.

Industry Index

RETAIL SALES (000,000)	**Nov. 1979**	**Percent Change vs. Year Ago**	**Year to Date Nov. 1979**	**Percent Change vs. Year Ago**
All Retailers	$79,352	**+11.3%**	$790,927	**+10.7%**
Eating & Drinking Places	$ 6,264	**+8.5%**	$ 69,404	**+ 8.5%**
Food Stores	$16,831	**+13.5%**	$176,469	**+11.8%**

(Source: Bureau of Census unadjusted data. Subject to revision.)

CONSUMER PRICES (November)	**Percent Change vs. Year Ago**	**Percent Change 1979 to Date vs. Year Ago**
Food at Home	+ 9.2%	+10.9%
Food Away From Home	+11.2%	+11.2%
All Items Less Food	+13.3%	+11.1%

(Source: Bureau of Labor Statistics.)

EATING PLACE INDICATORS (000,000)	**Oct. 1979**	**Percent Change vs. Year Ago**	**Year to Date**	**Percent Change vs. Year Ago**
Eating Place Sales	$5,677	**+ 8.4%**	$55,160	**+8.9%**

	Percent Change vs. Year Ago	**Percent Change Year to Date vs. Year Ago**
Real Eating Place Sales (Oct.)	**– 2.7%**	**– 2.3%**

(Sources: Bureau of Census, Bureau of Labor Statistics, NRA calculations. Subject to revision.)

EMPLOYMENT AND EARNINGS	**Sept. 1979**	**Percent Change vs. Year Ago**
Total Employment	4,713,700	+6.0%
Nonsupervisory Employment	4,333,300	+5.8%
Nonsupervisory Average Hourly Earnings	$92.30	+4.5%
Average Weekly Hours	26.6	−1.8%

(Source: Bureau of Labor Statistics.)

1979 INDEX TO FOODSERVICE TRENDS ARTICLES

BREAKFAST: Breakfast: The Fastest Growing Restaurant Meal (May).

COFFEE: Coffee: Prices May Rise But Statistics Show It Is Still A Popular Drink (June).

COINAGE: Susan B. Anthony Dollar Will Have Impact On Foodservice Industry (June).

CONSUMPTION PATTERNS: Changing Food Consumption Patterns Emerging (*Economic Report*, 1/8/79); Wine Consumption Increasing Rapidly (February); Pizza—The Fastest Growing Menu Item (March).

CREST: Wine—The Fastest Growing Beverage In Restaurants (February); Pizza—The Fastest Growing Menu Item (March); Breakfast—The Fastest Growing Restaurant Meal (June); Industrywide Traffic Softness Began in April (August); Customer Traffic Declines Shown by CREST (November); Industrywide Traffic Down 9%, Worst Decline In Four Years (November); CREST Study Helps To Determine Which Families Are Eating Out Less (November).

DEMOGRAPHICS: Dining Out Expenditures Linked To Household Income and Size (August); CREST Study Helps To Determine Which Families Are Eating Out Less (November); The Next Decade: What Lies Ahead For The Foodservice Industry (December).

EATING PLACES: Eating Places Review And Outlook: 1978-79 (February); The Foodservice Industry: 1977 (April); Eating Place Sales Growth: 1979 (July); Productivity For Eating And Drinking Places Declines 4.3% In 1978 (September); 1980 Foodservice Industry Sales To Equal $112 Billion (December). Also See **RETAIL CENSUS.**

ECONOMY: When Will Consumers Begin To Ease Up On Spending? (March); Gasoline Situation And Continued Inflation Affect Restaurant Industry (August); 1980 Economic Outlook (December).

EMPLOYMENT: NRA Study Reveals Characteristics Of Foodservice Industry Employees (November).

FAILURES: Eating And Drinking Place Failures Decline (March).

FAST FOOD: Franchise Restaurant Sales Soar To $18.2 Billion In 1977 (March); The Foodservice Industry: 1977 (April); *Roper Reports:* Adult Eating Experiences In Past 24 Hours (June); Fast Food Restaurants Account For 60% Of Fish Consumption (July); 1980 Foodservice Industry Sales To Equal $112. Billion (December); The Next Decade: What Lies Ahead For The Foodservice Industry (December). Also see **CREST** and **RETAIL CENSUS.**

FISH: Fast Food Restaurants Account For 60% Of Fish Consumption (July).

FOOD COST INDEX: NRA's Food Cost Index Up 17.0 Percent In First Quarter (April); NRA's Food Cost Index Declines 1.1% In June (August); NRA's Food Cost Index Continues To Decline (September); NRA's Food Cost Index Down 1.5% (October). Also see **WHOLESALE FOOD PRICES AND SUPPLIES.**

FOOD PRICES: 1978 Food Prices In Perspective (*Washington Report*, 1/1/79); Food Price Forecasts Raised (March); USDA Revises Food Price Forecast (September); 1980 Food Supply and Price Outlook (December). Also see **WHOLESALE FOOD PRICES AND SUPPLIES.**

FOODSERVICE INDUSTRY: The Foodservice Industry: 1977 (April); Travel And Tourism Impact Foodservice Industry (October); 1980 Foodservice Industry Sales To Equal $112 Billion (December); The Next Decade: What Lies Ahead For The Foodservice Industry (December): Industry Sales Top $100 Billion in 1979 (December); Industry Sales Double In The Seventies (December). Also see **CREST** and **RETAIL CENSUS.**

GALLUP: NRA/Gallup Research Shows Improvement In Value Perception For Restaurant Meals (February); NRA/Gallup Research Signals Rising Consumer Concern Over Value of Restaurant Meals (May); Gallup Develops a Comparative Evaluation Of Prices Paid For Meals (June); Gallup Monitors Eating Away From Home In May (July); NRA/Gallup Research Reports On Value Perception And Essentiality Of Eating Out (October).

GASOLINE SHORTAGE: Gallup Monitors Eating Away From Home In May (July); Gasoline Situation And Continued Inflation Affect Restaurant Industry (August); *Roper Reports:* Consumers Say Gas Shortage Curtailed Eating Out (November); Industry Sales Top $100 Billion IN 1979 (December). Also see **CREST.**

HAMBURGER: Sharply Higher Hamburger Prices In 1979 (*Economic Report*, 1/8/79); Why Hamburger Prices Are Rising (August).

MENU PRICES: Eating Places Review And Outlook: 1978-79 (February); Menu Price Increases Vary By Cities And Regions (June); Eating Place Sales Growth: 1979 (July); 1980 Foodservice Industry Sales To Equal $112 Billion (December); Industry Sales Top $100 Billion In 1979 (December); Industry Sales Double In The Seventies (December). Also see **CREST** and **FOOD PRICES.**

NEW PUBLICATIONS: NRA Publishes Survey Of Benefits For Hourly Employees (March); NRA Publishes Foodservice Sales Panorama (April); "Executive Compensation And Benefits In The Foodservice Industry" Is Released (May); NRA Publishes Study On "The Dinner House Market" (June).

PIZZA: Pizza—The Fastest Growing Menu Item (March).

PRODUCTIVITY: Productivity For Eating And Drinking Places Declines 4.3% In 1978 (September).

PROJECTIONS: 1980 Foodservice Industry Sales To Equal $112 Billion (December); The Next Decade: What Lies Ahead For The Foodservice Industry (December).

RETAIL CENSUS: Census Releases First 1977 Retail Trade Data (February); Eating And Drinking Places In Massachusetts And Connecticut Post Sales Gains (March); Eating And Drinking Place Sales Increase In 17 States (July); Sales For Eating And Drinking Places Rose In 13 States (August); Nation's Eating And Drinking Place Sales Up 72% In Five Years (September); Refreshment Place Sales Double In Four Regions (October).

ROPER REPORTS: *Roper Reports:* Adult Eating Experiences In Past 24 Hours (June); *Roper Reports:* Consumers Being More Cautious On Food Expenditures (July); *Roper Reports:* Beer, Wine and Liquor Consumption On The Increase (July); *Roper Reports:* Newspaper Advertising Is Considered The Most Useful And Informative (September); *Roper Reports:* Service, Source of Restaurant Compliments And Complaints (October); *Roper Reports:* Consumers Say Gas Shortage Curtailed Eating Out (November).

SHRIMP: Shrimp Outlook: Decreasing Supplies And Higher Prices (May).

TRAVEL AND TOURISM: Gasoline Situation And Continued Inflation Affect Restaurant Industry (August); Travel And Tourism Impact Foodservice Industry (October).

VALUE PERCEPTION OF MEALS AWAY FROM HOME: See **GALLUP.**

WHOLESALE FOOD PRICES AND SUPPLIES: Wholesale Food Price Outlook—1979 (May); Wholesale Outlook: Prices and Supplies (June); Wholesale Food Prices Decline In May (July); NRA's Food Cost Index Declines 1.1% In June (August); NRA's Food Cost Index Continues To Decline (September); NRA's Food Cost Index Down 1.5% (October); Wholesale Food Prices Rose In September (November); 1980 Food Supply And Price Outlook (December). Also See **FOOD PRICES.**

WINE: Wine—The Fastest Growing Beverage In Restaurants (February); Wine Consumption Increasing Rapidly (February); *Roper Reports:* Beer, Wine and Liquor Consumption On The Increase (July).

NRA FOODSERVICE TRENDS

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FOODSERVICE TRENDS

Volume 2, Number 2
February, 1980

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- the market
- consumer behavior and attitudes

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NRA MAKES FIVE YEAR GROWTH PROJECTION FOR THE FOODSERVICE INDUSTRY

The National Restaurant Association in a follow-up to its qualitative analysis of the foodservice industry in the Eighties presented in the December, 1979 issue of *Foodservice Trends* has developed some five year sales projections for the total industry and several of its important segments. The projections are in the form of ranges and represent the average annual sales growth in current dollar terms for the five year period from 1980 through 1985. Readers are reminded that this forecast is predicated on the best available data at this time. More rapid inflation, significant demographic changes not in evidence at the present time or a severe economic downturn could of course alter our projections. Also larger than expected energy price increases and drastic disruptions in energy supplies could also change the projections presented here.

In making our five year sales projections we assumed that increases in menu prices would outpace overall inflation as occurred during the 70's. A consensus of forecasters expects the average annual rate of inflation to be 7.6 percent during the period from 1980 through 1985, compared to 6.4 percent in the last decade. We, therefore, expect menu prices to average 8.0 to 8.5 percent higher on an annual basis during the next five years.

NRA also assumed that the rate of sales growth for limited menu (fast food) restaurants would be lower in the 1980-1985 period than during the 70's, while that for full menu restaurants would be slightly greater in the first half of the 80's than in the previous ten year period. Demographic trends such as the aging of the population, smaller households and more singles will be more favorable to full menu restaurants than to limited menu restaurants.

Eating place sales growth from 1980 through 1985 will be slightly greater than that of personal income. Projections for personal income growth during the five year period indicate an average annual gain of 9.8 to 10.0 percent, compared to our own eating place sales growth rate of 10.0 to 10.5 percent. In both 1978 and 1979 gains in personal income outpaced that for eating places because of gasoline shortages which caused fewer people to eat out and the fact that consumers had less to spend on meals outside the home due to rising costs for food, energy and housing. We believe that as inflation slows in the mid 80's and as the rate of increases in energy prices become less dramatic, sales growth for eating places will be above that of personal income throughout most of the five year period.

Our forecast for institutional foodservice sales is based on the assumption that their rate of growth will keep pace with the rise in menu prices, as was the case in the 70's. We use increases in menu prices as our basis for inflation for institutional feeders because this is the best available measure for advances in food, labor and energy costs.

Foodservice Industry Sales Growth 1980-1985

	Average Annual Percent Change		
Industry Segment	**1970-1979**	**1977-1979**	**1980-1985**
Commercial Foodservice	9.4%	9.7%	9.2%- 9.7%
Eating Places	10.5%	10.3%	10.0%-10.5%
Full Menu Restaurants	8.9%	8.6%	9.2%- 9.6%
Limited Menu Restaurants	14.3%	13.6%	11.5%-12.0%
Institutional Foodservice	7.7%	9.1%	8.3%- 8.8%
Total Foodservice Industry	9.0%	9.5%	9.0%- 9.5%

SOURCE: National Restaurant Association.

SINGLE HOUSEHOLDS SEEN AS BEING INCREASINGLY IMPORTANT TO THE RESTAURANT INDUSTRY

The increasing number of single person households in the United States has prompted the National Restaurant Association to investigate the impact such a trend is currently exerting on the restaurant industry and the future implications of this trend. In order to ascertain the proportion of the restaurant sales dollar that can be attributed to singles as well as to determine their eating out behavior we have used a new CREST subscriber study on singles. The study covers the period from September 1978 to August 1979 and is compared to CREST family dining out behavior during the same time span. The accompanying table highlights some of the significant behavior differences between CREST singles and families with respect to eating out. In addition, data from the Bureau of the Census and the Bureau of Labor Statistics have also been used to determine the size and scope of the singles market and to evaluate its continued influence in the years ahead.

Singles Account for 22.3% of the Households and Only 8% of the Population

Single person households have increased at a rate almost twice as fast as that for all households during the past 30 years, rising from a 10.9 percent share of all households in 1950 to a 22.3 percent share in 1979. The future potential of the singles market can be seen in its expected growth. According to Bureau of the Census projections, single households will comprise 24.8 percent of all households in 1985 and 26.2 percent in 1990. At the same time, the proportion of households of four or more persons is expected to decline from 31 percent today to 26 percent in 1990.

NRA FOODSERVICE TRENDS

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Eating Out Behavior CREST Singles Versus CREST Families

	Singles	Families
Penetration	79.6%	78.5%
Average Check Size	$3.36	$4.39
Average Per Person Check Size	$2.63	$2.23
Average Tip (As % of Check)	15.4%	13.9%
Percent of Sales With Credit Card	11.9%	6.2%
Party Size	1.28	1.97
Average Number of Items Per Eater	2.50	2.50
Visit Frequency (Average for 2 week period)	12	9
Percent of Sales Using Deal	4.2%	6.5%

SOURCE: CREST, September 1978-August 1979.

When we look at singles as a percent of the U.S. population we see that members of single person households comprise about 8 percent of total persons in this country. By 1985 it is expected that the proportion will rise to 9.5 percent and by 1990 over one tenth of the persons in the U.S. will be single adults.

While many may envision persons from single households being under 30 years old, an analysis of singles by age reveals a slightly different picture. At the present time only one-fourth of the singles are under 30, and projections for 1985 and 1990 as shown in the following chart indicate that the proportion will remain relatively unchanged. Increases in the number of singles will occur in the 30 to 34 age group as well as in the 35 to 44 age group. The proportion of singles over 65, however, will decline slightly.

Proportion of Single Households by Age 1980-1990

Age	1980	1985	1990
Under 30	25.5%	26.8%	26.3%
30-34	7.5%	8.5%	9.6%
35-44	8.0%	9.2%	10.5%
45-54	8.5%	7.8%	8.4%
55-64	14.4%	12.6%	10.6%
Over 65	36.1%	35.0%	34.6%

SOURCE: U.S. Department of Commerce, Bureau of the Census.

Single households have a median income of $8,206 compared to approximately $16,000 for all households. In terms of per capita income, however, singles fare much better, $8,206 versus $5,730. In addition, incomes for single people have been increasing at a faster pace than incomes for larger households. Between 1972 and

1977, per capita income for one person households rose 42.9 percent, compared to 35.4 percent for four person households and 30.3 percent for five person households.

Single Households Account for 23% of Industry Sales

Single person households account for 23 percent of restaurant sales and 20 percent of eater occasions, according to CREST data for the period from September 1978 to August 1979. On the other hand, CREST families (meaning persons from households of 2 or more persons) accounted for 77 percent of industry sales and 80 percent of the eater occasions during this same twelve month period. The importance of the contribution singles make to our industry becomes relevant when it is remembered that members of single households make up only 8 percent of the total population versus 92 percent for members of families.

Singles are more likely to eat out, eat our more frequently and spend more during each restaurant visit on a per person basis than do families, accounting for their higher proportion of sales than eater occasions. In terms of penetration, defined by CREST as the percentage of persons/families eating out, singles show a slightly greater tendency to be part of the eating out market than do families. Penetration for singles reached 79.6 percent compared to 78.5 percent for families. CREST data indicate that the average per person check size for single panel members was $2.63 compared to a lower $2.23 for family panel members. Visit frequency, as measured by CREST and defined as the number of times each restaurant patron family actually goes to a restaurant, is considerably higher for singles than for families. During an average two week period, singles patronize restaurants 12 times while patron families visit only 9 times. A greater flexibility concerning where or when they eat and the relative convenience of eating out versus eating in probably accounts for the higher visit frequency for one person households.

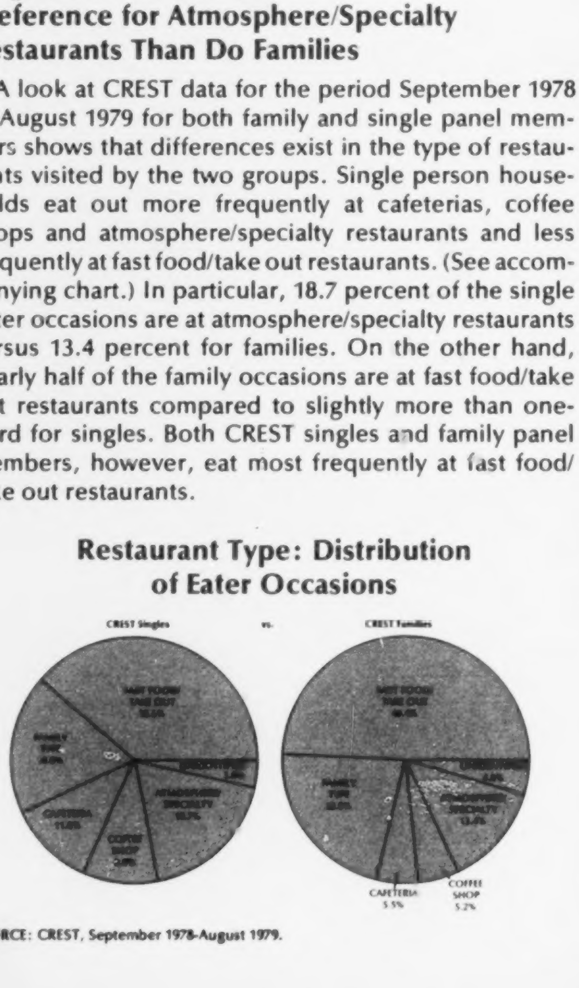
Information from the *1972-73 Consumer Expenditure Survey* conducted by the Bureau of Labor Statistics also shows the importance of these single households to restaurant industry sales. Of particular interest is the fact that singles spend twice as much on a per capita basis on meals outside the home as do all households, $298.80 versus $145.59. Although the data in this report are several years old, they can provide us with a valid analysis tool, and should be interpreted as a means of comparing food expenditure patterns for one person households versus all households.

A recent report issued by the U.S. Department of Agriculture titled "Food Expenditure Patterns of Single Person Households" reveals some interesting facts about singles and their eating out behavior. (The study is based on data from the *Consumer Expenditure Survey*.) One of the most important conclusions reached by this study is that single person households are not a homogeneous group and about all they have in common is that they live alone. The study goes on to conclude that age and income are the two primary determinants of how much is spent by singles on meals outside the home. Specifically, upper income single-person households spent over three times more dining out than did those with lower incomes on a weekly basis, $11.62 versus $3.53. In addition, weekly away-from-home expenditures dropped sharply with age, $10.71 for the under 35, $7.22 for the 36-64 group and only $2.93 for those over 65. With incomes for singles rising and with a greater proportion of them falling in the younger and middle age categories, it would appear that their food-away-from-home expenditures will continue to advance.

Singles Have a Greater Preference for Atmosphere/Specialty Restaurants Than Do Families

A look at CREST data for the period September 1978 to August 1979 for both family and single panel members shows that differences exist in the type of restaurants visited by the two groups. Single person households eat out more frequently at cafeterias, coffee shops and atmosphere/specialty restaurants and less frequently at fast food/take out restaurants. (See accompanying chart.) In particular, 18.7 percent of the single eater occasions are at atmosphere/specialty restaurants versus 13.4 percent for families. On the other hand, nearly half of the family occasions are at fast food/take out restaurants compared to slightly more than one-third for singles. Both CREST singles and family panel members, however, eat most frequently at fast food/take out restaurants.

Restaurant Type: Distribution of Eater Occasions



SOURCE: CREST, September 1978-August 1979.

When restaurant categories are analyzed, differences between these two CREST panels are noticeable. Nearly 16 percent of the single eater occasions take place at sandwich restaurants compared to a significantly higher 26 percent for families. Hamburger restaurants are also considerably more popular with CREST families than with CREST singles, with 23.4 percent of the family occasions versus 13.5 percent of the single occasions. Families also frequent pizza, chicken, ice cream and budget steak restaurants more frequently than single panel members. On the other hand, CREST singles are more likely to patronize full menu, Chinese, doughnut and retail store restaurants than are CREST families.

Single panel members spend a greater share of their restaurant dollars in atmosphere/specialty restaurants than do family panel members, while families spend a greater share in fast food/take out restaurants than singles. CREST singles spent 38.0 percent of their restaurant dollars in higher priced restaurants and only 23.3 percent in fast food restaurants during the period from September 1978 to August 1979. CREST families spent 32.6 percent of their eating out dollar at fast food restaurants versus 26.0 percent and atmosphere/specialty establishments during the same period.

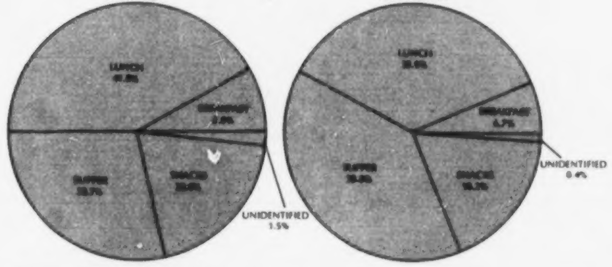
Singles More Likely To Eat Out for Breakfast and Lunch Than Families

CREST data for meal occasions for both singles and families reveal some significant differences about when members of these two groups eat out. Of all meals shown in the following chart, single panel members are most likely to eat lunch out while families are most likely to eat dinner out. Over four out of ten single meal occasions are for lunch compared to less than three out of ten for supper. On the other hand, families spend 35.9 percent of their occasions at lunch and a slightly higher 38.8 percent at supper.

Single panel members also show a greater tendency to eat out for breakfast and snacks than do family members. Of all single meal occasions, 8.0 percent are for breakfast and 20.0 percent are for snacks, while of all family meal occasions, 6.7 percent are for breakfast and 18.2 percent are for snacks.

For both singles and families, the greatest restaurant expenditures are made for supper followed by lunch.

Meal Period: Distribution by Eater Occasions



SOURCE: CREST, September 1978-August 1979.

Singles Eat Out More During Week

Singles are more likely to eat out during the week than on weekends while the opposite is true for families according to CREST data on the distribution of eater occasions by day of visit. Over half (56.5 percent) of the single eater occasions take place Monday through Thursday versus 43.5 percent which occur on Friday, Saturday and Sunday. On the other hand, 49.4 percent of the family eater occasions occur during the week and 50.6 percent on the weekends.

This same pattern follows through to the distribution of sales dollars by day of the week. For CREST singles, 52.1 percent of their dollars are spent during the week and 47.9 percent are spent on the weekends. For CREST families the reverse is true, with 46.2 percent of the expenditures taking place during the week and 53.8 percent on the weekends.

CREST Singles Show Higher Order Frequency for Non-Fried Foods, Salads and Alcoholic Beverages

CREST data for both single and family panel members on types of foods ordered also show some distinct differences between these two groups. As shown in the accompanying table, singles have a higher order frequency for non-fried fish and chicken than do families and a significantly lower order frequency for french fries. On the other hand, single panel members show a greater tendency toward salads and vegetables than do family members. A possible explanation for these differences could lie with the type of restaurant frequented which was discussed in a previous section.

Singles also have different beverage preferences than do families. On 29.2 percent of the single eater occasions coffee is ordered versus only 17.8 percent of the family occasions; however, soft drinks are more popular with the family panel members. Another significant difference between CREST singles and families lies with the order frequency of alcoholic beverages. On 10.1 percent of the single eater occasions an alcoholic beverage is ordered compared to only 5.2 percent of the family eater occasions. Again, type of restaurant frequented probably helps to explain these variances. In addition, differences in food and beverage preferences between CREST families and singles may be due to the exclusion of children in the singles panel.

(continued on page 11)

NATIONAL
RESTAURANT
ASSOCIATION

CREST REPORT

Quarterly Supplement to
Foodservice Trends
February, 1980

CREST Highlights

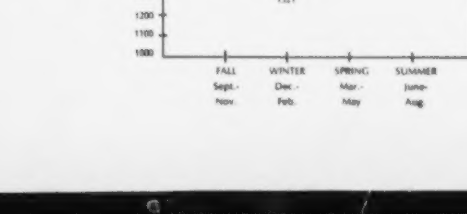
- **Traffic declines 5.9 percent in Fall Quarter.**
- **Visit frequency per CREST family down 6.5 percent over same period last year.**
- **Industry dollar sales only 4% ahead of last year.**
- **Promotional activity in the Fall Quarter continues to be high, with 7.7 percent of the occasions involving a promotion.**
- **Snack traffic is off 13 percent this past Fall and lunch traffic is down 7.2 percent.**
- **Growth of top 25 restaurants chains lower than growth for independents in 1979.**

TRAFFIC DECLINES CONTINUE IN FALL QUARTER

Restaurant customer traffic continued to decline through the Fall Quarter (September, October, November) according to the most recent information from CREST. The rate of traffic loss in the Fall, however, was not as sizeable as that experienced in the Summer Quarter (June, July, August) but was still well above the decline in the Spring Quarter (March, April, May). Visits to restaurants were nearly 6 percent below the counts of last Fall compared to the 9.1 percent drop in the Summer and 2.4 percent in the Spring over the respective year earlier periods.

While industry traffic in this recent CREST quarter was below that of a year ago, it was equal to the count of two years ago. Traffic counts for the Summer Quarter, on the other hand, were below those in 1978 and 1977. The steeper decline this past Summer was attributed to the prevailing economic conditions at that time as well as spot gasoline shortages which caused many consumers to curtail or alter their summer vacation plans. (See "CREST Report" November, 1979 *Foodservice Trends*.) The improved performance in the Fall Quarter is most likely the result of consumer perceived improvement in the overall gasoline situation and a partial return to more "normal" behavior. In addition, the Fall represents the end of the summer vacation season and this could help explain the relatively better performance.

Quarterly CREST Dollar Sales



Despite this relative improvement in customer traffic, CREST believes that year-to-year changes in traffic for the industry will remain negative for the time being. While the bottom may have been reached in the Summer Quarter, the restaurant industry is not expected to rebound quickly, and 1980's performance is forecast to only match that of 1979. NRA's 1980 projection for real eating place sales growth (sales adjusted for inflation) also indicates little change this year over last year. (See December, 1979 *Foodservice Trends*).

Customers Visit Restaurants Less Often

The primary cause for the current traffic softness is that consumers are satisfying a smaller portion of their eating needs at restaurants than they did last year. This is evident when visit frequency (the number of times each restaurant patron family actually goes to a restaurant) is examined. During the Fall Quarter the number of visits per family declined by 6.5 percent over the same period a year ago, slightly smaller than the Summer decline of 7.4 percent. When visit frequency by restaurant type is analyzed, it can be seen that most of the decline is the result of less frequent visits to atmosphere/specialty and family restaurants as well as to cafeterias and coffee shops. On the other hand, visit frequency at fast food establishments in the Fall Quarter remained unchanged from a year earlier.

The number of families eating out (family reach) also declined in this recent three month period, compounding the adverse effect on traffic. The total number of families visiting a restaurant in the two week period declined by 1.6 percent from the same quarter last year. This decline, however, was considerably below the 3.4 percent decrease in family reach experienced in the Summer Quarter. (See chart on next page.) While

CREST
Components of Eater Occasions

	Sept.-Nov.	Dec.-Feb.	March-May	June-Aug.
# Families Reached				
'76-'77 % Change	+ .1%	−5.1%	− .6%	+1.4%
'77-'78 % Change	−1.1%	+1.3%	+2.5%	+1.9%
'78-'79 % Change	+1.3%	+ .6%	−1.8%	−3.4%
'79-'80 % Change	−1.6%			
Visit Frequency (Occ./Eating Out Hld.)				
'76-'77 % Change	−9.8%	−9.6%	− .4%	−2.1%
'77-'78 % Change	−4.0%	−1.5%	−3.5%	+8.0%
'78-'79 % Change	+6.3%	+4.4%	+ .3%	−7.4%
'79-'80 % Change	−6.5%			
Average Party Size (Persons/ Occasion)				
'76-'77 % Change	−2.1%	+3.9%	+1.6%	+2.9%
'77-'78 % Change	+4.3%	+4.3%	+4.8%	−1.4%
'78-'79 % Change	−1.6%	− .5%	−1.0%	+1.4%
'79-'80 % Change	+2.1%			

NOTE: Based on total U.S., average 2 week period each quarter.

penetration, defined as percentage of families reached, dropped for all perceived restaurant types, the most dramatic declines were noted by take-out restaurants, coffee shops and cafeterias. These restaurant types are particularly dependent on lunch and snack business, and as we will show later in this report, traffic declines were most severe for these meal occasions.

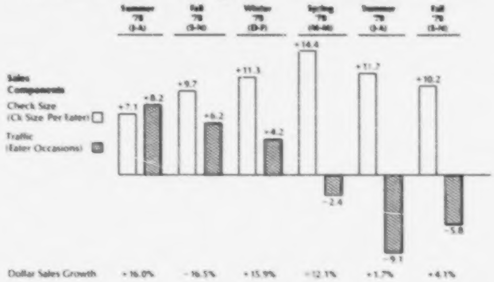
Offsetting these declines in families reached and visit frequency, to a limited degree, is the 2.1 percent increase in the average party size. Apparently, the squeeze on disposable income and the current price advantage for food-at-home have resulted in a reduction in the average family's number of away-from-home eating occasions.

Industry Dollar Sales Only 4% Ahead of Fall '78

The continued softness in customer traffic in the Fall Quarter has resulted in a relatively small gain in nominal sales (sales unadjusted for inflation). Industry sales were only 4 percent ahead of those achieved last Fall, representing some improvement over this past Summer's performance when nominal sales rose less than 2 percent. However, these gains continue to be considerably below those achieved in the last two years.

The average expenditure for a restaurant meal or snack (Eater Check Size) in the Fall Quarter advanced at a double digit rate for the fourth straight quarter. Average check size per person rose 10 percent in this recent period over the same period last year. This increase, however, is below that experienced in the previous three quarters and is below the rate of increase in the Consumer Price Index for food-away-from-home which stands at 11 percent. While a change in the mix of meals and the composition of industry sales by outlet type can influence eater check size, price increases are undoubtedly the major contributing factor.

Contribution of Primary Sales Components to Sales Growth (Percent Change From Prior Year)



The slightly reduced rate of check size increase from the Summer Quarter (10.2 percent versus 11.7 percent) may have helped to slow the decline in customer traffic. In addition, a lessening of problems with gas availability probably also contributed to this relative improvement in customer count at restaurants.

Promotional Activity Continues at High Level

Promotional activity within the restaurant industry continues at a high level as operators attempt to slow the decline in customer traffic. Promotional activity increased in the Fall Quarter of 1979 over the Fall Quarter of 1978 by 5 percent. Of all restaurant occasions in this recent CREST period 7.7 percent involved a deal or promotion compared to 7.3 percent in the same period in 1978. This increase, however, is not as great as the 14 percent rise seen in the Summer Quarter when operators were responding to the Spring traffic slow down with increased promotional activity.

Percent of Family Occasions Involving a Promotion

	Fall Sept.-Nov.	Winter Dec.-Feb.	Spring Mar.-May	Summer June-Aug.
Year 2 ('76-'77)	6.5%	7.2%	6.8%	5.8%
Year 3 ('77-'78)	6.8%	7.4%	7.3%	5.6%
Year 4 ('78-'79)	7.3%	7.7%	6.7%	6.4%
Year 5 ('79-'80)	7.7%			

NOTE: Based on total U.S., average 2 week period each quarter.

The rise in the promotional level in this period is similar to the rate of increase in dealing noted in the industry over the past couple of years. Therefore, it seems less of a modification in operators' short-term marketing plans in reaction to the soft conditions the industry is experiencing now than did the increase in promotional activity this past Summer.

Snacks and Lunch Experience Greatest Losses

As in previous quarters not all meal occasions suffered the decline in customer traffic equally. Snacking occasions continue to show the largest declines in customer count, probably because they are the most discretionary of all meals and represent a relatively easy way for families to cut back on restaurant meal expenditures. The number of snack eating occasions this past Fall Quarter was 13 percent below a year ago and twice as large as the industry's overall 6 percent decline.

Lunch traffic at restaurants continued to decline, although at a slower pace, for the third straight quarter. Customer count for the lunch meal was down 7.2 percent in the Fall Quarter of '79 over the Fall Quarter of '78 compared to a 9.7 percent drop in the previous quarter. Possible explanations for this situation are that more people are skipping lunch or are eating lunch out less ("brown bagging") as a means to cut back on restaurant meal expenditures.

The supper meal held traffic somewhat better than other meals in both the Summer and Fall Quarters. Supper customer traffic in this recent CREST quarter declined at only half the industry rate, 2.8 percent versus 5.8 percent. CREST information shows that supper is the meal least likely to be skipped, and perhaps this partially explains its relative stability. In addition, the easing of the gasoline situation is also thought to have helped supper traffic as most supper patrons travel a further distance than do lunch or breakfast patrons. In the Summer Quarter evening meal occasions were down 6.6 percent from the previous year, while in the Fall the traffic count dropped by only 2.8 percent.

Prior to the slow-down brought about by the inflationary squeeze and the fuel shortage, breakfast was the industry's fastest growing meal in terms of customer traffic. Data from the Fall Quarter again show that breakfast traffic is on the increase. The morning meal, where traffic was up 1.5 percent, was the only meal occasion to register an increase this Fall over the same period in 1978. The stimulus for this may have been the increased availability of breakfast offerings in fast food outlets as well as increased promotional activity in operations already offering breakfast.

Growth of Top 25 Chains Slows in 1979

To improve the focus on the largest chains in the industry, the CREST MONITOR has been revised and is now based on the top 25 restaurant revenue producers instead of the top 50. Viewed on this basis, the leaders have an even steeper dollar growth rate over time than was seen when the performance of 50 chains was reviewed. Sales of the top 25 have grown at an average annual rate of 20 percent during the past three years, while the average rate for the top 50 chains was a slower 15 percent. These leading 25 firms registered their fastest dollar growth in 1977 and 1978 with increases of 24 percent and 22 percent respectively. The 1979 growth rate of 8 percent, however, was substantially behind that of the previous years.

Although the balance of the industry had a slower mean growth rate in both 1977 and 1978 than the top 25 chains, as shown in the chart on the next page, its performance was stronger in 1979. The balance of the

Percent Industry Eater Occasions By Meal Period*

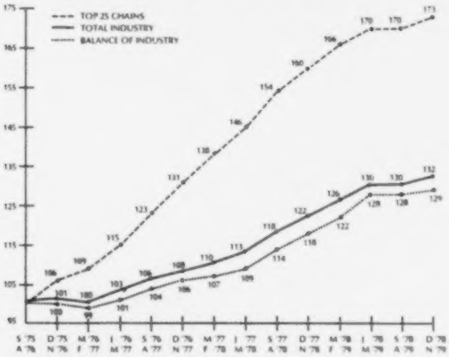
	Winter		Spring		Summer		Fall	
	'78	'79	'78	'79	'78	'79	'78	'79
Breakfast	5.8	6.6	6.5	6.5	6.9	6.9	6.8	7.4
% Change**		+18.6		−2.7		−9.6		+1.5
Lunch	38.9	38.0	35.9	36.1	34.4	34.1	36.7	36.1
% Change**		+2.0		−1.5		−9.7		−7.2
Supper	40.9	40.5	39.6	40.0	35.9	36.7	39.5	40.7
% Change**		+3.5		−1.2		−6.6		−2.8
Snacks	14.4	15.0	18.0	17.4	22.8	22.3	17.0	15.8
% Change**		+8.4		−5.1		10.8		−12.7
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Repercentaged to exclude not reported.

**Actual percent change in eater occasions.

industry's rate of sales growth in 1979 was close to what it was in 1978, indicating better relative performance than the top 25. In addition, the balance of the industry's rate of increase was one percentage point above that for the top 25 in 1979, 9 percent versus 8 percent. It is probable that unit expansion was a bigger factor in the strong growth rate of the top 25 in both 1977 and 1978 than in 1979, and the current performance of the leaders is now on par with the overall industry.

CREST Monitor



The CREST MONITOR is a continuing measurement of growth for the commercial segment of the foodservice industry, comparing the total restaurant industry growth rate against that of the combined top 25 chain restaurants. Dollar sales are used as the base of measure. Growth rates are calculated separately for each of the top 25 chains and the sum of the growth rates are then averaged to give equal representation to each of the top 25 chains. An index number is shown for relative comparison trends. Dollar sales in CREST Year 1 (September 1975-August 1976) are the benchmark against which all future sales figures are compared. That is, Year 1 dollars are considered the base of 100 and each succeeding four-quarter sum of dollars is indexed against those of the September 1975-August 1976 base period.

The accompanying graph depicts the dollar sales growth rate for the industry and the two segments on an index basis with CREST Year One representing an index of 100. The current indices translate to an average non-weighted growth of 73 percent for the top 25 chains and an average of 29 percent for the balance of the industry during the three year period from August 1976 to November 1979.

The top 25 chains account for close to one quarter of all industry revenue, and their share of industry dollar sales was virtually the same as the previous year, again showing the slowdown in their growth.

WHAT IS CREST?

Launched in September 1975, the CREST (Chain Restaurant Eating-Out Share Trends) survey is designed to track expenditures and behavior in the commercial segment of the foodservice industry. While the study name refers to chain trends, a great deal more is available including information by type and classification of restaurant and also by meal or snack period.

Some 10,000 families, or approximately 30,000 persons, are chosen to reflect the U.S. and participate in the study. Each family is asked to record restaurant experiences for a particular two week period for each of the four quarters during the year. Because the study is repetitive, it allows an excellent opportunity to follow changing trends.

In order to properly complete the CREST diary, several steps are involved. Step 1 requires a daily entry for each meal during the two week period for each household member. Whenever the code for restaurant purchases appears, the participant is asked to elaborate on the occasion by making further entries in the diary.

The second portion of the diary is used only if a household member ate or obtained food prepared away from home in establishments such as restaurants, hotels or motels, fast food drive-ins, delicatessens, refreshment stands, carry outs, coffee shops, donut shops, ice cream shops or eating places inside variety stores or other retail stores. The diary will *not* include any meals eaten at schools, hospitals, colleges or other institutional feeding places. When the two week reporting period is complete, the diary is returned to NPD Research, Inc.

The CREST study is a joint effort of individual foodservice organizations acting in concert to fund a study perhaps beyond the economic reach of any of the individual participants. The NRA is solely a participant in this study and not a sponsor.

The CREST study is designed to provide information on customer behavior, not attitudes. This study will, therefore, provide the user with information on how much people spend, where they spend, what they spend on, etc. It will not tell people's attitudes toward a particular issue. It will, because it is an ongoing study, allow comparison against a standard or the development of trend analysis, and enable the operator to make decisions based on documented trends rather than casual observation.

RESTAURANT OPERATOR PANEL TO BE ESTABLISHED; YOU CAN PARTICIPATE!

The National Restaurant Association in cooperation with the accounting firm of Laventhol & Horwath is establishing a restaurant operator panel. The purpose of the panel is to study successful restaurant management and to ascertain what difficulties foodservice managers are faced with and possible solutions for their problems. The panel will be queried on a monthly basis on such things as sales, costs, customer traffic and number of employees as well as on other subjects such as

- Energy
- Inflation
- Minimum Wage
- Employee Recruitment

NRA believes that there is a tremendous need for the type of information which only a panel such as this can provide. By participating, *you* can contribute to this unique information gathering process. We urge you to complete the brief questionnaire below and return it to NRA Headquarters no later than March 15, 1980. For your convenience, the questionnaire has been designed as a self-mailer, simply detach it, fold as instructed and drop it in the mail. The information requested in this questionnaire and all subsequent ones should pertain to only a single unit. Multi-unit operators who wish to participate in this panel should pick a representative unit to be used during the life of the panel.

We stress that all sales and cost information for each individual panel member will remain confidential. Once the panel has been established, panel members will receive a monthly questionnaire which is to be completed and returned no later than the 15th of the month. In addition, each member will receive the results from the previous month's survey and NRA will also publish the information here in *Foodservice Trends*. Operators having any further questions concerning this project should contact Gary Border, Director of Research at NRA's Headquarters in Washington, D.C., phone toll free, 800-424-5156.

Participant Profile Form

NATIONAL TREND OF BUSINESS IN THE RESTAURANT INDUSTRY

Unit Owner/Manager ____________________

Name of Restaurant ____________________

Address ____________________

City ____________________ State ____________

Zip ____________ Telephone (____) ____________

1. Type of Restaurant (check only one)
   - ☐ Cafeteria
   - ☐ Coffee Shop
   - ☐ Limited Menu—No Tableservice (fast food)
   - ☐ Full Menu—Tableservice
   - ☐ Limited Menu—Tableservice
   - ☐ Other (please specify) ____________
2. Size of Restaurant: (provide best estimate)
   - ____________ Square Feet of Total Area (including preparation and storage)
   - ____________ Square Feet of Dining Area Only
3. Parking For How Many Cars?
   - ____________ Parking Spaces
4. Type of Organization (check only one)
   - ☐ Single Unit
   - ☐ Multi-Unit (part of a chain of two or more units)
5. Is This Restaurant Franchise Operated (check only one)
   - ☐ Yes ☐ No
6. Number of Seats: (complete all applicable)
   - ____________ Dining Room
   - ____________ Bar or Lounge
   - ____________ Banquet Rooms
   - ____________ Total Seats

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the NRA questionnaire.
Fold and staple with the
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appearing on top.

Fold Here
And Staple

* * *

Menu Items Ordered Singles Versus Families

Menu Item	Order Frequency Singles	Families
Eggs	5.4%	3.8%
Sausage/Bacon	3.9%	2.8%
Roast Beef	2.5%	2.1%
Steak	2.4%	3.1%
Hamburger	12.7%	22.3%
Fish Sandwich	2.3%	1.9%
Roast Beef Sandwich	2.6%	2.5%
Other Sandwich	10.3%	7.8%
Fish and Seafood, Fried	4.1%	5.1%
Fish and Seafood, Not Fried	2.9%	2.0%
Chicken, Fried	4.0%	6.6%
Chicken, Not Fried	3.2%	1.9%
Hot Dogs	2.4%	3.4%
Pizza	3.6%	8.2%
Pasta	2.2%	1.7%
Mexican Food	2.6%	2.9%
Salad, Main Dish	3.5%	2.2%
Salad, Side Dish	15.4%	14.7%
Soup	5.3%	3.3%
French Fries	12.9%	24.7%
Other Potatoes	10.1%	10.9%
Vegetables	10.2%	7.1%
Ice Cream	5.8%	7.1%
Other Desserts	8.5%	6.2%
Coffee	29.2%	17.8%
Fruit/Vegetable Juice	3.4%	2.5%
Tea	7.7%	6.0%
Milk	4.4%	4.2%
Shakes/Malts	2.5%	4.3%
Soft Drinks	16.9%	29.5%
Beer	3.6%	2.0%
Cocktails	3.7%	2.1%
Wines	2.8%	1.1%

NOTE: Percentages represent percent of eater occasions on which item was ordered.

SOURCE: CREST, September 1978-August 1979.

* * *

Singles and The Restaurant Industry

Of all households in the U.S. in 1979, 22.3 percent were single person households, and CREST data show that a slightly larger 23.1 percent of restaurant sales are from singles. With projections of a 26.2 percent share of households by 1990, it would appear that our industry will come to gain an increasing amount of sales dollars from singles, perhaps as much as one-third.

CREST information also shows that the aging of the single population and higher incomes for one person households can mean increased sales for the restaurant industry. In particular, 23.6 percent of the single panel members are between the ages of 25 and 34 and account for a slightly higher 29 percent of total single sales. This is also true for those 35 to 49, 10.4 percent of the panel and 13.0 percent of the sales. On the other hand, 26.8 percent of the singles are over 65 and they are responsible for only 16.4 percent of the sales attributed to one person households. Income distribution data from CREST show that upper income singles account for a disproportionate share of sales. For example, 4.3 percent of the panel members earn over $25,000 but account for nearly 10 percent of the sales. Middle income singles (those earning between $15,000 and $25,000) make up 14.7 percent of the CREST panel and 21.9 percent of the sales. Singles earning less than $10,000 and who comprise nearly 60 percent of the panel account for 44.2 percent of this single restaurant sales.

Restaurant operators may want to take advantage of this trend through promotions, seating arrangements and menu offerings. Promotions offering two items for the price of one may not be especially appealing to singles whose average party size is 1.3 persons. Instead, promotions offering complete meals would probably be more appealing to the singles market.

Seating arrangements in foodservice establishments are often not adequate for singles. Operators may want to study their present arrangement and add tables which can be adjusted to accommodate the single diner as well as larger parties. In addition, restaurateurs may want to put forth the concept of the "communal table" where several singles are seated at the same table with perhaps a restaurant employee acting as host or hostess.

Restaurant menu offerings can also be adjusted to take advantage of singles' preference for non-fried foods and vegetables. Since these are some of the same items most desired by the more health conscious restaurant patron, operators will have a further reason for making such changes.

Restaurant operators do have the tools available for attracting the growing singles market and will find it advantageous to put forth their best efforts to appeal to this segment of the population.

NRA'S FOOD COST INDEX UP 12.2% IN 1979

Food costs for restaurants as measured by the National Restaurant Association's Food Cost Index (FCI) rose at a double digit rate in 1979 for the second straight year. The FCI climbed 12.2 percent last year, slightly faster than the 11.2 percent rise experienced in 1978. Higher wholesale prices for beef, fish, dairy products and bakery products were the primary causes behind 1979's rise in the FCI. All food, according ot the Bureau of Labor Statistics Producer Price Index (PPI), rose at a considerably slower pace in the two most recent years, with a 9.5 percent advance in 1979 and 10.5 percent in 1978.

Restaurateurs have clearly been faced with more severe food cost inflation than is indicated by PPI data. In fact, during the period from 1972 through 1979 there has been only one year, 1974, when the FCI advanced at a slower pace than the PPI for all food. Percent changes for this seven year time span for both indices are shown in the accompanying table, and readers interested in the development and calculation of our Food Cost Index should refer to the May, 1979 *Foodservice Trends*.

As we noted in the January issue of *Foodservice Trends* the embargo on grain shipments to the Soviet Union is expected to have an impact on food prices and supplies in the U.S. Chase Econometrics, in their analysis of the situation, believes that wholesale prices for all livestock (cattle, cows, hogs) will be up only 2.9 percent this year and 5.1 percent next year versus pre-embargo predictions of 4.1 percent and 5.3 percent respectively. USDA economists also expect most meat prices at the wholesale level to increase at a slower pace than had been expected.

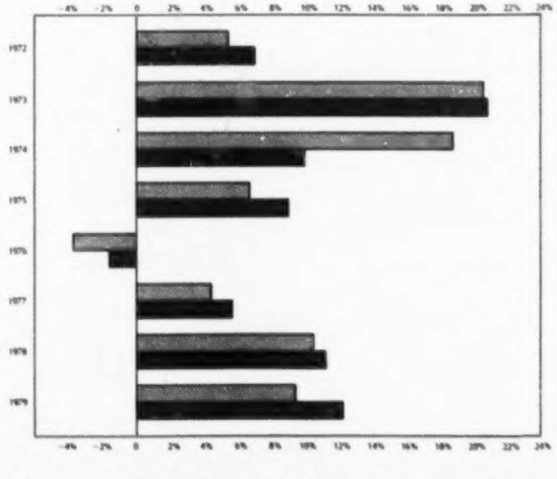
The remaining sections of this report will highlight wholesale price changes for several specific commodities in 1979 as well as providing a short term price outlook based on U.S. Department of Agriculture and Chase Econometric data. Readers should note that price forecasts presented here for Chase Econometrics reflect the impact of the Soviet grain embargo. Historical data on yearly percent changes for twelve food groups used in calculating the FCI are shown in the table following this report.

BEEF AND VEAL. Last year beef and veal prices rose 24.7 percent, slightly lower than the 1978 advance of 28.4 percent. Price increases were most dramatic in the first quarter of 1979 when they averaged 35.4 percent higher than in the same period in 1978. USDA expects choice steer prices to rise to an average of about 70 cents a pound at the wholesale level in the first half of this year compared to 1979's first half average of 69 cents a pound. Chase Econometrics expects these choice steer prices to average 71 cents a pound in the first half, slightly higher than the USDA estimate. Chase has also predicted that utility cow prices (reflecting the wholesale cost of hamburger) will average 51 cents a pound during the first six months of 1980, down about 2 percent from the same time last year.

OTHER MEATS. Wholesale prices for other meats fell 2.8 percent last year, primarily the result of a 6.4 decline in wholesale pork prices. USDA estimates that pork prices will average 36 cents a pound in the first half of this year, 25 percent below last year's first half prices of 48 cents a pound. Chase Econometrics expects first half pork prices to average about 40 cents a pound which is higher than the USDA forecast.

POULTRY AND EGGS. Wholesale prices for the poultry and egg component of our Food Cost Index rose less than one percent in 1979, with a 3 percent drop in processed poultry prices and an 11 percent rise in egg prices. USDA economists expect first half broiler and turkey prices to be below year earlier levels. Broiler prices should equal 42 cents a pound, a drop of 5 cents per pound from last year, while turkey prices will average 62 cents a pound, down 6 cents from last year. Chase Econometric estimates for broiler prices approximate those of USDA; however, Chase expects 1980 turkey prices to average a lower 56 cents a pound. Wholesale prices for eggs according to USDA's most

Percent Change
NRA Food Cost Index ■
Versus
Producer Price Index, All Food ▨



SOURCES: *Producer Price Index*, Bureau of Labor Statistics; National Restaurant Association.

recent forecast will average 63 cents a dozen in the first half of the year, down 9 percent from last year's 69 cents a dozen. Chase Econometric expects egg prices to average a slightly higher 66 cents a dozen in the first six months.

DAIRY PRODUCTS. Overall wholesale prices for dairy products rose 12.1 percent in 1979 considerably higher than the 8.6 percent advance in 1978. We will review the forecast for only the farm level price of milk here because this is the prime determinant of all dairy product prices. First half milk prices will average about 13 cents a pound compared to 12 cents in the first half of last year, according to predictions from both Chase Economics and USDA.

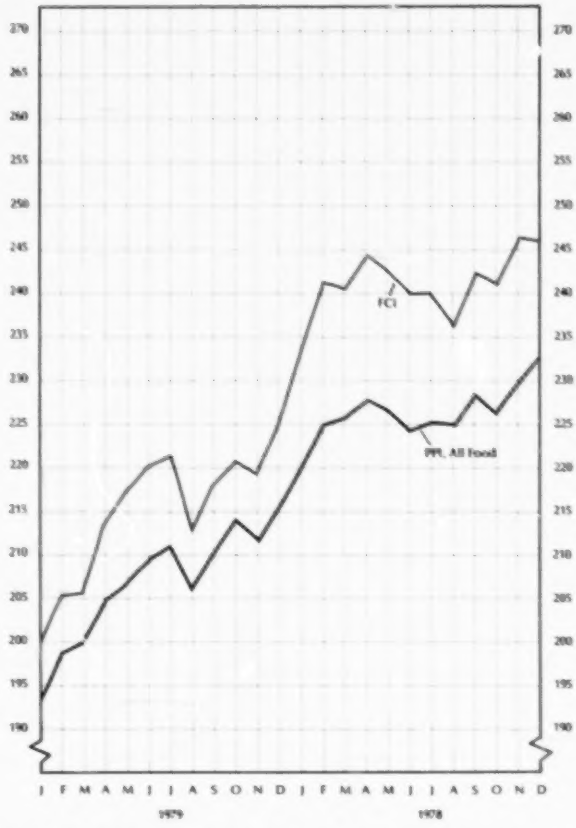
ALL OTHER. Wholesale prices for vegetables rose only 2.0 percent last year, considerably below the 6.0 percent increase in 1978. Wholesale fruit prices advanced 8.7 percent; however, this was substantially below the 17.6 percent rise of 1978.

Fish and shellfish prices climbed 22.6 percent last year, the largest gain since 1976. These higher prices were due to the higher costs for imported fish and shellfish as well as higher processing costs.

Bakery product prices climbed 10 percent in 1979 while flour and cereal prices advanced 12.4 percent. Higher processing and distribution costs were primarily the causes for the double digit price increases for these commodities.

First half price changes for such things as fruits, vegetables, fish and bakery products will depend on weather conditions and seasonal crops as well as increases in processing and distribution costs. Readers should refer to the January, 1980 *Foodservice Trends* for the most recent price forecasts for these commodities.

NRA Food Cost Index (FCI)
Versus
Producer Price Index (PPI), All Food



SOURCES: *Producer Price Index*, Bureau of Labor Statistics; National Restaurant Association.

Percent Change in Wholesale Commodity Prices, 1971-1979

Commodity	1971-1972	1972-1973	1973-1974	1974-1975	1975-1976	1976-1977	1977-1978	1978-1979
Bakery Products	2.9%	9.7%	24.6%	10.9%	0.7%	3.5%	7.8%	10.0%
Flour and Cereal[1]	3.5%	29.6%	30.6%	(5.5%)	(8.9%)	(5.8%)	13.1%	12.4%
Beef and Veal	7.5%	22.6%	(3.1%)	11.2%	(11.5%)	1.0%	28.4%	24.7%
Other Meats[2]	19.6%	31.3%	(0.5%)	27.5%	(5.2%)	(4.4%)	16.7%	(2.8%)
Poultry and Eggs	2.9%	54.9%	(9.0%)	11.9%	(4.1%)	0.1%	8.1%	0.7%
Fish and Shellfish	16.4%	19.6%	7.2%	6.9%	24.6%	8.0%	6.4%	22.6%
Sugar and Sweets[3]	3.6%	4.8%	68.8%	6.9%	(21.2%)	(7.2%)	6.6%	6.9%
Vegetables[4]	6.8%	26.7%	19.8%	(3.3%)	(4.7%)	4.2%	6.0%	2.0%
Fruits and Juices[5]	(4.4%)	12.1%	11.2%	9.1%	0.8%	12.0%	17.6%	8.7%
Beverages[6]	2.4%	5.2%	16.4%	15.2%	23.4%	43.5%	(8.6%)	0.8%
Dairy Products and Ices	2.8%	10.5%	11.7%	6.4%	8.1%	3.0%	8.6%	12.1%
Fats and Oils[7]	0.1%	18.5%	56.6%	(5.2%)	(18.3%)	14.0%	6.1%	6.4%
Others	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

[1] Includes flour and flour base mixes, milled rice and other cereals.
[2] Includes pork, lamb and other meats.
[3] Includes sugar and confectionery, fountain flavoring syrup and jams, jellies, etc.
[4] Includes fresh and dried vegetables, canned vegetables and frozen vegetables.
[5] Includes fresh fruits, canned fruits and juices and frozen fruits and juices.
[6] Includes non-alcoholic beverages and packaged beverage materials such as coffee.
[7] Includes vegetable oil and end products.
n.a. = not available.

SOURCES: *Producer Price Index*, Bureau of Labor Statistics; National Restaurant Association.

ROPER REPORTS: CONSUMERS AWARE OF WHERE THEY ERR IN THEIR DIETS

The Roper Organization recently questioned consumers about their diets, and in particular, asked whether consumers were eating more than they should, less than they should or the right amount of fifteen different foods. Restaurateurs may find this information useful when attempting to adapt their menu offerings to current consumer preferences. For example, operators may want to consider deleting some food items which the public feels it needs less of and add items which a considerable proportion of consumers feel they need more of.

From the results of this question, shown in the accompanying table, it is evident that the majority of the respondents feel they are eating the right amount of all foods listed. The answers to this Roper inquiry also indicate that consumers are fairly well aware of where they err in eating or not eating specific foods.

Over one in three say they eat too much starchy foods, fatty foods, sugar and snacks and about one in four say they eat too much salt, desserts and candy. On the other hand, four out of ten respondents say they eat too little fish and over one-third say they eat too little fresh fruit and fiber. Also, one out of four of those surveyed state they eat too little whole grain bread or cereal and green vegetables.

Some differences in eating patterns by demographic characteristics do exist. The young (those between the ages of 18 and 29) are more likely than the average consumer to eat too much starchy foods, fatty foods and snacks and to eat too little fish and fresh fruit. Respondents from families with children under 13 years old also state they eat more starchy and fatty foods than they should and further feel they eat too little fish. In addition, over half of those who reside in the Western states say they do not eat the amount of fish they should.

Which of the Following Do You Eat More of Than You Should, Not as Much as You Should or Eat About the Right Amount?

	Eat more than should	Eat less than should	Eat right amount	Don't know
Starchy foods (potatoes, rice,pasta)	38%	9	52	1
Fatty foods	36%	11	50	2
Sugar	35%	9	55	1
Snacks	35%	11	53	2
Salt	28%	10	61	1
Desserts	26%	14	58	2
Candy	24%	16	58	2
Red meat	16%	17	65	1
Eggs	13%	16	71	1
Chicken	10%	12	77	1
Whole grain bread or cereal	9%	27	61	3
Fish	5%	43	52	1
Green vegetables	5%	24	70	—
Fresh fruit	5%	38	57	1
Fiber	3%	33	54	10

NRA FOODSERVICE TRENDS

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NATIONAL
RESTAURANT
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FOODSERVICE TRENDS

Volume 2, Number 3
March/April, 1980

analysis and interpretation
- the industry
- the market
- consumer behavior and attitudes

In This Issue

- **Franchise Restaurant Sales Top $20 Billion In 1978.**
- **Rising Concern Over Value Of Restaurant Meals.**
- **Economic Pressures of Spring-Summer '79 Caused Changes In Restaurant Visit Behavior.**

FRANCHISE RESTAURANT SALES TOP $20 BILLION IN 1978

Highlights

- **Franchise restaurant sales in 1978 were up 16.1 percent and totaled $21.1 billion, reflecting strong sales growth by sandwich, pizza and Mexican franchises, as well as the entry of many new companies into the restaurant franchising field.**
- **Sixty-eight companies began franchising in 1978, with the majority of the new entrants engaging in hamburger, steak and sandwich franchising.**
- **Franchise restaurant establishments boosted their share of eating place sales to 34.6 percent in 1978 from 33.1 percent in 1977 and 22.8 percent in 1972.**
- **Three franchising firms broke into the 1,001 + unit category in 1978, bringing the total number of such franchisors to eleven.**
- **Restaurant franchise operators predict sales will rise 16.5 percent in 1979 and 17.9 percent in 1980.**
- **The number of hamburger, frank and roast beef franchise firms, which account for more than half of all franchise restaurant sales, increased from 109 in 1977 to 117 in 1978.**
- **"Sandwich and other" firms experienced the greatest sales growth of 35.1 percent. Pizza franchise restaurants, with a sales increase of 25.5 percent, ranked second.**
- **Sales for two franchise restaurant categories, chicken and seafood, posted declines in 1978, the first such in the history of these franchising statistics.**
- **Donut shop and ice cream store franchise sales posted 1978 sales gains of 30.7 percent and 50.6 percent respectively.**

Franchise restaurants recorded sales of $21.1 billion in 1978, according to a recently released Department of Commerce Report. The report, entitled Franchising In The Economy 1978-1980, is published annually and provides an important overview of the franchise restaurant business. It encompasses data on 388 restaurant franchise companies, a net increase of 38 from last year and slightly higher than the net gain of 35 in 1977. In 1978, 17 franchisors with a total of 227 restaurants went out of business and 13 franchisors with 168 restaurants abandoned franchising. The majority of the new entrants were small companies that fell into the hamburger, steak/full menu and sandwich categories. It should also be noted that the number of seafood franchisors declined from 14 to 11 between 1977 and 1978.

The 388 surveyed franchise companies report 55,312 units in 1978 an increase of 6.4 percent or 3,340 units over 1977. This represents one of the smallest increases in unit expansion during the history of the Commerce Department's report. Unit expansion for 1979 and 1980 is expected to accelerate, however, with a rise of 8.3 percent in 1979 and 11.2 percent in 1980.

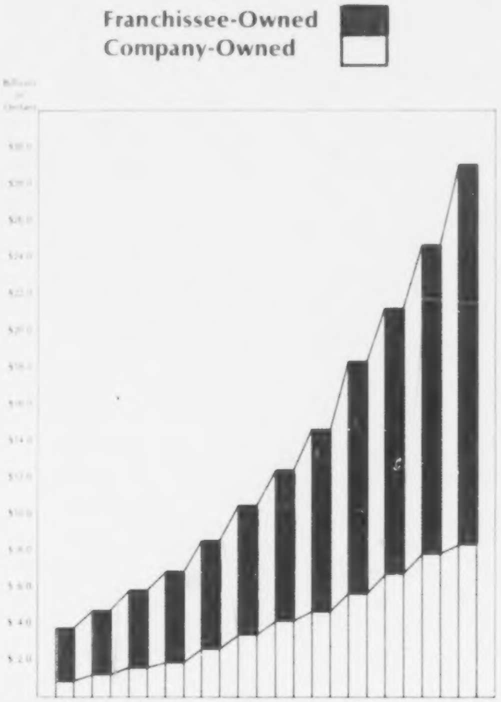
The number of company-owned units increased twice as fast as the number of franchisee-owned units in 1978, 10.2 percent versus 5.0 percent. Estimates for 1979 and 1980, on the other hand, indicate that franchisee units will be rising at a faster pace than company units.

Franchise Restaurant Sales Up 16 Percent

Franchise restaurant sales totaled $21.1 billion in 1978 for an increase of 16.1 percent over 1977. This rate of increase was considerably smaller than that experienced in recent years of 18 to 25 percent. Sales were strong at sandwich, pizza, and Mexican restaurants but declined at chicken and seafood restaurants. This is the first time that sales for any of the franchise categories registered a decline and most likely explains the relatively slower growth in total franchise restaurant sales during the 1977-78 period.

In 1978, total sales gains for company-owned units were above those for franchisee-owned units, reversing the pattern experienced in the previous two years. Company-owned unit sales equaled $6.7 billion for an increase of 19.1 percent compared to sales of $14.4 billion and an increase of 14.7 percent for franchisee-owned establishments. Projections for 1979 and 1980, however, indicate that sales growth for franchisee-

Franchise Restaurant Sales 1969-1980



*1979 and 1980 sales estimated by respondents.
SOURCE: U.S. Department of Commerce, Service Industries Division, *Franchising In The Economy 1978-1980.*

owned units will outpace that for company-owned units.

Franchise restuarant sales have become increasingly important to total eating place sales. In 1978 they accounted for 34.6 percent of eating place sales, up from 33.1 percent in 1977 and 22.8 percent in 1972. Most franchise restaurant sales fall in the census category of limited menu restaurants and are an important component of limited menu sales. (Readers, however, should be aware that the Census category "limited menu restaurants" does not correspond exactly to franchise restaurants because it includes companies which offer a limited menu but are not involved in franchising.)

NRA FOODSERVICE TRENDS

Robert H. Power	President
Joe A. Dodson	Chairman, Research Committee
Brian Harron	Executive Vice President
Patricia M. Pinto	Director, Marketing and Operations Planning
Bette B. Hoyt	Research Associate and Editor

Estimates for 1979 and 1980 indicate that franchise operators expect sales to continue to rise, with a 16.5 percent rise in 1979 and 17.9 percent this year. In last year's report franchisors estimated that sales would rise at a faster 19.7 percent pace in 1979. However, when making predictions in the prior survey operators probably did not envision the gasoline shortages or escalating prices which plagued much of our industry last year and which caused sales growth to slow considerably. Also, these estimates are representative of the 388 firms in the most recent Commerce Department study and do not include any new or established firms which may have decided to begin franchising in 1979. In addition, they do not take into account any present firms going out of business or abandoning the franchise system, which happened to 30 franchise firms between 1977 and 1978.

Franchisors Offer Self-Service and Waiter/Waitress Service

Franchise restaurant chains in order to compete with all other restaurants as well as among themselves have realized they must be more customer oriented. Therefore, they are offering more amenities such as waiter/waitress service or drive in facilities and self-service. At the request of the National Restaurant Association, Andrew Kostcka of the Commerce Department (the principal author of the franchising report) included a question in the 1979 franchising survey on which firms offered various types of service.

The data indicate most firms offer either one type of service or another but 22 firms offer both types of service, although one clearly dominates. (See accompanying table.)

Not surprising, the largest number of franchise restaurants offering waiter/waitress service fall into the steak/full menu categories. CREST data show that customers at these restaurants spend more on each occasion, and therefore they probably expect more service. Self-service and drive-in service are found at the more traditional "fast food" chains offering chicken, hamburgers, fish, and sandwiches. Both types of service are common at pizza franchise outlets, with 38 such firms offering predominantly self-service or drive-in facilities and 28 offering waiter/waitress service. Pancake franchisors, on the other hand, use predominantly waiter/waitress service in all their units.

Principal Types of Service Provided by Franchise Restaurant Chains, 1978

Major Activity	Self-Service Drive-In and Drive-Thru	Waiter or Waitress Service
Chicken	30	1
Hamburgers, etc.	107	10
Pizza	38	28
Mexican	20	9
Seafood	9	2
Pancakes, Waffles	0	15
Steak, Full Menu	18	68
Sandwich and Other	31	2
TOTAL	253	135

NOTE: Represents primary type of service offered, and expressed as number of firms offering the service.

SOURCE: U.S. Department of Commerce, Service Industries Division, *Franchising In The Economy 1978-1980*.

Number of Large Firms Increases by Three

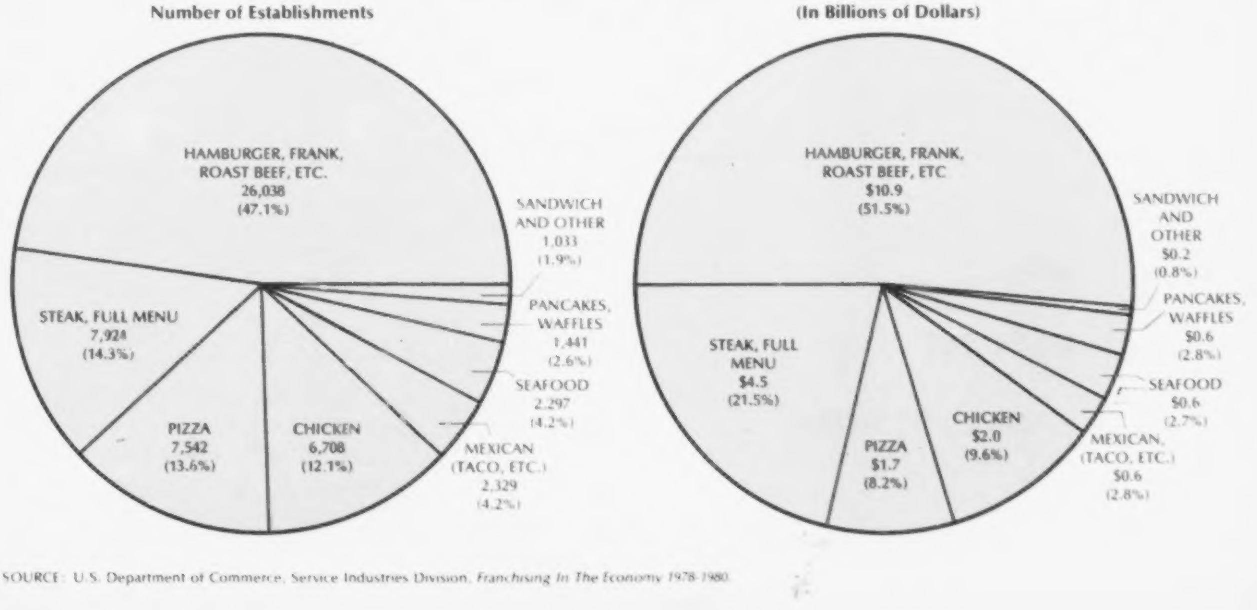
The largest franchising firms continue to occupy a prominent place in the total sales of franchise restaurants. In 1978 eleven companies had more than 1,000 units each, an increase of three from the previous year. As a result, their share of total franchise units increased from 45.1 percent in 1977 to 50.2 percent in 1978. These large, multi-unit franchisors had 27,750 units and sales of $11.4 billion in 1978 compared to 23,421 units and sales of $8.4 billion in 1977. In fact, their share of franchise establishments and sales is at the highest level in the seven year history of the franchising report.

The firms in the "second tier" have lost some of their prominence due to the advance of three of their members into the 1,000 category. These franchisors, with units numbering between 501 and 1,000, have declined from 14 in 1977 to only 11 in 1978. Their share of franchise restaurant sales has, as a result, declined from 23.4 percent to 16.7 percent and their share of establishments went from 21.0 percent to 16.1 percent.

The majority of the franchise firms, however, are relatively small. In 1978, 70.4 percent of the restaurant franchisors had fewer than 50 franchise outlets, although they accounted for only 7.3 percent of franchise restaurant sales. In 1972 these small firms accounted for approximately six out of ten franchise companies and 6.5 percent of sales.

In the following sections we have briefly discussed sales and establishment growth for the individual franchise restaurant categories. Readers should be aware that forecast data for sales and number of establishments are for only the 388 surveyed franchise firms. They do not include any franchisors which began or may begin franchising in 1979 or 1980.

Restaurant Franchising by Major Activity, 1978



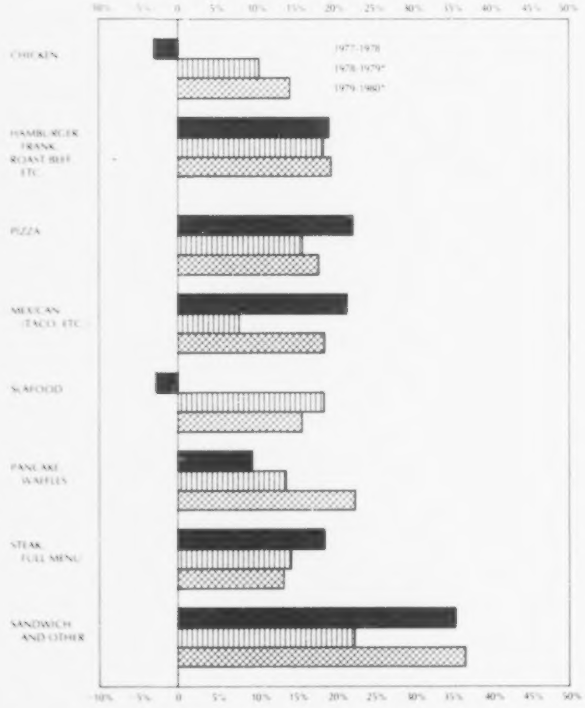
SOURCE: U.S. Department of Commerce, Service Industries Division, *Franchising In The Economy 1978-1980*.

Hamburger Firms Continue to Dominate

The number of "hamburger, franks and roast beef, etc." firms continues to show strong gains, rising from 96 in 1976 to 109 in 1977 and 117 in 1978. Hamburger franchise companies, which include several of the industry's giants, account for over half of franchise food sales and 47 percent of the units. In addition the $10.9 billion in sales for these franchise firms represent 17.9 percent of total sales for all eating places, further indicating their importance to the entire Foodservice Industry.

Sales at hamburger, frank and roast beef establishments increased by 19.4, percent in 1978, considerably above the 13.8 percent rise in 1977. Last year, when the hamburger franchise firms made their forecast for sales in 1978 they predicted a slightly smaller 18.5 percent rise in sales. Franchisors were probably not anticipating that escalating labor, food and energy costs passed on as higher menu prices would cause sales to rise faster when they made their 1978 predictions. Sales of franchisee-owned units totaled $8.3 billion and were up 20.6 percent from 1977. Company-owned units had sales of $2.6 billion in 1978, an increase of 15.5 percent over the previous year.

Percent Change in Franchise Restaurant Sales 1977-1980



*1979 and 1980 sales estimated by respondents.

SOURCE: U.S. Department of Commerce, Service Industries Division, *Franchising In The Economy 1978-1980.*

Much of the sales growth expected in 1979 and 1980 will be due to new units opening, the effects of rising costs which are often passed on as higher menu prices, and menu expansion. The number of hamburger, frank and roast beef units rose by 4.9 percent in 1978, substantially below 1977's estimate of a 10.6 percent rise. The franchise operators in this category expect the number of units to increase 6.9 percent in 1979 and 10.1 percent in 1980, while sales will continue to experience substantial gains in both these years of 19.3 percent and 19.7 percent respectively.

Pizza Outlets and Sales Increase

The number of pizza franchise firms increased by six in 1978, bringing the total number of such firms to 66. Unit growth for pizza companies has slowed somewhat in 1978, with an increase of 11.6 percent versus increases of 17.6 percent in 1977 and 14.7 percent in 1976. Total franchise pizza outlets now equal 7,542 with 3,042 company-owned and 4,500 franchise-owned.

Sales for franchise restaurants specializing in pizza were $1.7 billion in 1978, an increase of 22.5 percent from 1977 but below last year's prediction of a 26.0 percent gain. Pizza franchise operators expect their sales to continue to grow, but at a slower pace than that experienced in recent years, with an advance of 15.7 percent in 1979 and 17.8 percent in 1980.

Mexican Franchise Sales Up 21.7 Percent

Sales at Mexican franchise restaurants rose 21.7 percent in 1978, the slowest pace in the 1973-1978 period. In 1977 sales advanced a substantial 60.1 percent; however, Mexican franchise operators last year predicted only a 14.3 percent sales gain in 1978. The addition of six new firms in the Mexican category most likely caused this better than expected performance. Total sales for Mexican franchise firms now stand at $602 million with expectations of reaching $648 million in 1979 and $767 million in 1980.

Chicken Franchise Sales Decline

Between 1977 and 1978 sales for chicken franchise restaurants declined from $2.1 billion to $2.0 billion, a decrease of 2.6 percent. This drop in sales was directly attributable to sales declines for franchisee units, which were down 9.2 percent compared to a 14.9 percent increase for company-owned stores. Chicken franchise operators, however, do see improvement ahead and predict that sales will rise 10.5 percent in 1979 and 14.0 percent in 1980, with company unit sales growth outpacing that for franchisee units.

Although chicken sales declined in 1978, the number of units continued to rise. Chicken franchise outlets totaled 6,708 in 1978, an increase of 4.2 percent over 1977 and are expected to rise by 7.2 percent in 1979 and 8.8 percent this year.

Seafood Franchise Firms Decline

The number of seafood franchise firms declined by 3 between 1977 and 1978, making a total decrease of six firms since 1975. Readers should be aware that there are two reasons for this decline—franchisors either went out of business or they abandoned the franchise system altogether. In addition, the influx of any new seafood franchising companies was not sufficient to offset this loss.

Sales for seafood franchise restaurants declined by 2.6 percent in 1978 compared to a very strong gain of 32 percent in the prior year. The number of seafood franchise restaurants dropped by 2.3 percent between 1977 and 1978. Both of these declines are probably attributable to the fact that fewer firms specializing in seafood were in operation in 1978 than in 1977.

Seafood franchise operators do expect sales to rebound in 1979 and 1980. They predict sales will increase 18.3 percent in 1979 and 15.8 percent this year.

Two Firms Enter Pancake Franchising Business

The number of firms engaging in pancake franchising reached 15 in 1978, an increase of two from the previous year. Sales for these companies rose 8.9 percent to $601 million in 1978, and the number of establishments increased from 1,353 in 1977 to 1,441 in 1978. Sales are expected to reach $834 million in 1980 and the number of outlets is predicted to total 1,770, according to pancake franchise operators.

Steak/Full Menu Franchise Sales Equal $4.5 Billion

Steak/full menu franchise firms increased from 79 in 1977 to 86 in 1978 for a gain of seven. Sales for these firms rose 18.5 percent in 1978, substantially below the 47.8 percent increase in 1977 but above the 17.0 percent increase in 1976. Their sales now equal $4.5 billion, and operators predict sales will rise to $5.2 billion in 1979 and $5.9 billion in 1980.

Total outlets for this category in 1978 were 7,924, and operators expect the number to be 8,756 in 1979 and 9,771 in 1980. Much of the gain in steak/full menu establishments will be due to increases in the number of franchise units.

Sandwich Franchises Post Fastest Sales Gain

"Sandwich and other" franchise restaurants posted a sales gain of 35.1 percent between 1977 and 1978, making this the largest rate of sales growth for all franchise restaurant categories. The number of firms engaged in this type of restaurant franchising have increased substantially over the past four years, rising from seven in 1975 to 33 in 1978. This recent surge in sandwich franchising has resulted in the dramatic sales increases of 35.1 percent in 1978, 65.8 percent in 1977 and 39.8 percent in 1976.

Sandwich franchise operators expect sales to continue to advance, rising from $179 million in 1978 to $208 million in 1979 and $284 million in 1980. The number of outlets should also increase from 1,033 in 1978 to 1,603, in 1980.

Information Available on Donut Shops and Ice Cream Stores

Last year the Commerce Department provided a breakdown of sales and number of establishments for franchise donut shops and ice cream stores for the first time. Since these are two significant components of the Foodservice Industry we will provide highlights of the data. Readers should be aware that these two franchise categories are included under the heading of "Food Retailing Other than Convenience Stores" and therefore their sales are not included in $21.1 billion for franchise restaurants.

Sales for franchise donut shops increased from $373 million in 1977 to $514 million in 1978, an increase of 30.7 percent. The number of firms engaged in this line of business rose from 15 to 17 during the one year

Franchise Restaurant Establishments by Restaurant Type, 1977-1980

Restaurant Category	**Number of Total Establishments**			
	1977	**1978**	**1979***	**1980***
Chicken	6,437	6,708	7,193	7,826
Hamburger, etc.	24,822	26,038	27,833	30,651
Pizza	6,759	7,542	8,355	9,434
Mexican	2,147	2,329	2,527	2,913
Seafood	2,347	2,297	2,444	2,704
Pancakes, Waffles	1,353	1,441	1,577	1,770
Steak, Full Menu	7,253	7,924	8,756	9,771
Sandwich and Other	854	1,033	1,243	1,603
Total	51,972	55,312	59,928	66,672

*1979 and 1980 estimated by respondents.

SOURCE: U.S. Department of Commerce, Service Industries Division, *Franchising In The Economy 1978-1980.*

period. Franchise donut operators predict sales will advance 17.4 percent in 1979 and 19.7 percent in 1980.

The number of firms engaged in ice cream store franchising went from 16 in 1977 to 24 in 1978, according to the Commerce Department report. Sales for these stores were $562 million in 1978 compared to $373 million in 1977, a gain of 50.6 percent. Ice cream store franchise operators expect sales to continue to increase, with a rise of 9.7 percent in 1979 and 16.0 percent in 1980.

NRA OFFERS UPDATED "FRANCHISE RESTAURANTS: A STATISTICAL APPENDIX"

For the third consecutive year, the National Restaurant Association is offering its readers a statistical appendix to its annual report on franchise restaurants. The information summarized in this appendix was obtained from the Department of Commerce publication, *Franchising In The Economy, 1978-1980*.

This new edition includes revised sales and establishment data for 1978 and 1979 as well as estimates for 1980. Information on donut shops and ice cream stores has been included for the first time. In addition, we have also included data on the type of service offered by the different categories of restaurant franchises. Other tables describe historical data, including percent changes for sales and establishments from 1973 to 1980 by type of restaurant business such as hamburger, pizza, etc.; size distribution of firms; employment; state-by-state information; international franchising and minority ownership of franchise restaurants.

Readers may obtain a copy of *Franchise Restaurants: A Statistical Appendix* for $5.00 from NRA's Educational Materials Center, One IBM Plaza, Suite 2600, Chicago, Illinois 60611. (Please specify order No. MG 207 when ordering.)

MAIL TO: Educational Materials Center
National Restaurant Association
One IBM Plaza—Suite 2600
Chicago, Illinois 60611

Please send me ______copies of MG207 FRANCHISE RESTAURANTS: A STATISTICAL APPENDIX at $5.00 each.

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RISING CONCERN OVER VALUE OF RESTAURANT MEALS

NRA's quarterly Gallup survey question indicates that overall consumer perception of the value of meals eaten away from home compared to other goods and services has been declining. As shown in the accompanying table, the proportion who consider their meal an excellent or good value for the money has been slightly lower during the past three quarters, while the proportion expressing dissatisfaction has been a little higher. With restaurant meal prices rising at a faster pace than grocery store food prices and with consumers faced with escalating costs for housing and energy, it is probable that they have come to demand more value for their money for all goods and services, including restaurant meals.

The most recent survey results for December 1979 show that consumers' favorable perception of the value of restaurant meals was down 3 percentage points from September. (We use the percentage of excellent and good ratings to indicate favorable value perception and the percentage of fair and poor ratings to indicate dissatisfaction.) Fifty-six percent of the respondents in December 1979 versus 59 percent in September reported that their most recent meal consumed at a restaurant was either an excellent or good value compared to other goods and services. On the other hand, 42 percent rated the meal away from home as only a fair or poor value, up from 39 percent in the previous quarter.

Lower Income Families See Less Value in Dining Out

A look at value perception by family income shows that for families with incomes under $10,000 and between $15,000 and $19,000 the proportion of excellent and good ratings dropped between December 1978 and December 1979 while dissatisfaction with the value of restaurant meals rose. On the other hand, the excellent and good value perception remained unchanged for families with an annual income of $20,000 or more and showed a slight improvement for families with incomes between $10,000 and $14,999.

Many families have been severely affected by rapidly rising prices and have changed their eating out behavior as we have reported in this and previous issues of *Foodservice Trends*. It would appear from this Gallup survey that value perception may also be affecting customer traffic and sales at our nation's restaurants.

Atmosphere—Specialty and Family Type Restaurants Have Best Value Perception

Family type and atmosphere-speciality restaurants have a higher value perception rating than fast food restaurants, according to respondents in this recent Gallup poll. However, favorable value perception at fast food restaurants, cafeterias and atmosphere-speciality restaurants is down from year earlier levels, but is up slightly at family-type restaurants.

Most notable is the decline in the percentage of respondents rating the value of meals at cafeterias an excellent or good value from 59 percent in December 1978 to only 47 percent in December 1979. In addition, the proportion stating that cafeteria meals offer only a fair or poor value for the money rose from 37 percent to 51 percent. Perhaps consumer experience in the past has led them to have higher expectations for cafeterias with regard to the price/value relationship for the meal.

Value Perception of Restaurant Meals by Restaurant Type

	Family		Fast Food		Cafeteria		Atmosphere	
	Dec. '78	Dec. '79	Dec. '78	Dec. '79	Dec. '78	Dec. '79	Dec. '78	Dec. '79
Excellent Value	25%	21%	9%	8%	20%	10%	34%	18%
Good Value	35%	41%	43%	39%	39%	37%	32%	43%
Only Fair Value	25%	34%	33%	44%	29%	38%	24%	27%
Poor Value	11%	3%	13%	7%	8%	13%	10%	7%
Don't Know	4%	1%	2%	2%	4%	2%	—	5%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Value Perception of Restaurant Meals by Household Income

	Under $10,000		$10,000-$14,999		$15,000-$19,999		$20,000 & Over	
	Dec. '78	Dec. '79	Dec. '78	Dec. '79	Dec. '78	Dec. '79	Dec. '78	Dec. '79
Excellent Value	31%	7%	14%	26%	23%	6%	19%	18%
Good Value	15%	37%	44%	34%	44%	54%	38%	39%
Only Fair Value	25%	44%	33%	36%	21%	34%	30%	37%
Poor Value	26%	9%	6%	4%	10%	4%	8%	5%
Don't Know	—	3%	—	—	—	2%	—	2%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Value of Meals Versus Other Products and Services

	Percent of Respondents						
	June '78	Sept. '78	Dec. '78	March '79	June '79	Sept. '79	Dec. '79
Excellent Value	16%	16%	20%	18%	16%	20%	16%
Good Value	43%	47%	38%	43%	41%	39%	40%
Only Fair Value	32%	26%	28%	29%	29%	27%	37%
Poor Value	8%	9%	11%	7%	12%	12%	5%
Don't Know	1%	2%	3%	3%	2%	2%	2%
Total	100%	100%	100%	100%	100%	100%	100%

ECONOMIC PRESSURES OF SPRING-SUMMER '79 CAUSED CHANGES IN RESTAURANT VISIT BEHAVIOR

In an attempt to evaluate the impact of current economic stresses on the restaurant industry, the National Restaurant Association commissioned CREST to conduct a comprehensive study of restaurant visit patterns. Two time periods were studied to ascertain what, if any, changes had occurred in consumer eating out behavior. Period One covered March through August 1978, a time of relative strength for the industry, and Period Two covered March through August 1979, a time of industry weakness. In addition, families were divided into two income groups—lower income (earning under $15,000) and upper income (earning $15,000 or more)—to determine behavioral changes due to income. (Interested readers desiring more details on how this study was conducted should contact Bette Hoyt at NRA's Washington Headquarters Office.)

A summary of the results from this NRA/CREST study is highlighted below.

Category Shares of Traffic by Family Income

	March-August 1978	March-August 1979
Families With Income Less Than $15,000	100.0%	100.0%
Sandwich Category	28.4	28.8
Budget Steak Category	3.8	3.6
Chicken	4.5	4.5
Fish—Fast Food	1.0	1.1
Mexican—Fast Food	1.2	1.0
Pizza	4.9	4.9
Full Menu	24.9	26.7
Hotel	2.8	2.9
Cafeteria	6.8	6.0
All Other Outlets with Checks $3.50 or Under	16.9	14.8
All Other Outlets with Checks Over $3.50	4.8	5.7
Families With Income Over $15,000	100.0%	100.0%
Sandwich Category	24.1	23.4
Budget Steak Category	3.5	3.1
Chicken	3.7	3.9
Fish—Fast Food	1.2	1.1
Mexican—Fast Food	.9	.9
Pizza	5.5	6.7
Full Menu	27.6	28.6
Hotel	4.3	3.7
Cafeteria	5.1	5.7
All Other Outlets with Checks $3.50 or Under	15.3	13.0
All Other Outlets with Checks Over $3.50	8.8	9.9

General Behavioral Differences of Higher Income Versus Lower Income Families

- Higher income families dine out more frequently than families with incomes under $15,000 annually, 18 times in four weeks compared to 11 times.
- Menu prices determine selection of restaurant. Families in the lower income group give higher shares of their visits to categories of restaurants with lower average prices than do families in the higher income segment.
- Within a given category, families in the lower income group spend 6 percent to 8 percent less per meal, on average, than the balance of families. They are either choosing outlets at the lower price end within the category, are buying fewer items or are buying lower priced options at a given outlet.
- Current economic conditions have had a greater affect on restaurant visiting among families with incomes less than $15,000 annually than those with incomes over that amount. Restaurant traffic from the lower income segment in Period Two was down twice the rate of decline from families in the higher income segment, 13 percent versus 6 percent. (Overall traffic was down 8 percent.)
- The majority of visits lost were the result of families continuing to dine out but doing so less often than they did in Period One. A little less than one-fifth of the traffic loss was due to families dropping out of the market completely during the four weeks of Period Two.

Source of Changes in Traffic Count

		Percent Share	
Source of Traffic Decline	**Total Industry**	**Families with Incomes Under $15,000**	**Families with Incomes of $15,000 And Over**
Lost Buyers	19%	27%	10%
Reduced Visiting	81%	73%	90%
Total Decline	100%	100%	100%

Summary of Behavior Change: Families with Incomes Less Than $15,000

- The primary reason why ten of the restaurant categories lost traffic in Period Two among these families was that they, in general, cut-back on their restaurant dining. None of the categories lost more traffic due to customer's shifting to other categories than was lost by contraction in restaurant visiting.

- The category experiencing the heaviest traffic loss from shifting was cafeterias. Possibly this reflects families who cut out lunch eatings in order to dine out with their families for supper. Shifting losses were also fairly large in the lower priced all other outlets category. These, too, may be primarily lunch places—affected like cafeterias.
- These categories had some traffic gains through shifting visit patterns: Pizza, Full Menu, all other outlets with checks over $3.50 and to small degree, hotel restaurants. However, except for the higher priced all other segment, gains from category shifting were not great enough to off-set losses from restaurant visit contraction.

Comparison of Price, Family Income and Traffic by Restaurant Category

	Average Check Size (Per Person)			
	Period 1 March-August 1978	Period 2 March-August 1979	Percent Change	Traffic Loss or Gain (Period 1 vs Period 2)
Families with Incomes less than $15,000				
Sandwich Restaurant	1.43	1.61	+12.6%	−12%
Budget Steak	3.03	3.50	+15.5	−19%
Chicken Restaurant	1.90	2.13	+12.1	−14%
Fish—Fast Food	1.94	2.14	+10.3	− 1%
Mexican—Fast Food	1.64	1.72	+ 4.9	−25%
Pizza	2.08	2.21	+ 6.3	−12%
Full Menu	2.81	3.41	+21.4	− 7%
Hotel	4.11	4.34	+ 5.6	−10%
Cafeteria	2.04	2.35	+15.2	−23%
All Other Outlets with Checks $3.50 or less	1.75	1.92	+ 9.7	−24%
All Other Outlets with Checks over $3.50	6.15	6.48	+ 5.4	+ 3%
Families with Incomes $15,000+				
Sandwich Restaurant	1.50	1.68	+12.0	− 8%
Budget Steak	3.28	3.67	+11.9	−16%
Chicken Restaurant	1.97	2.19	+11.2	− 2%
Fish—Fast Food	2.14	2.30	+ 7.5	−15%
Mexican—Fast Food	1.47	1.75	+19.0	N.C.
Pizza	2.17	2.31	+ 6.5	+13%
Full Menu	3.74	4.23	+13.1	− 2%
Hotel	5.18	6.25	+20.7	−12%
Cafeteria	2.07	2.37	+14.5	+ 4%
All Other Outlets with Checks $3.50 or less	1.96	2.08	+ 6.1	−20%
All Other Outlets with Check over $3.50	6.97	7.06	+ 1.3	+ 6%

SOURCE: "Changes In Restaurant Visit Patterns," CREST.

- Some thoughts as to reasons for these shifting gains for lower income families:
  Pizza—price/value perceived to be good, a more controlable expense for family feeding, a more interesting alternative if hamburgers and chicken are being served more at home and more atmosphere than hamburger outlets which may make it more of a special occasion.
  Full Menu—more service for the money, want the variety in menu options and their alternative prices, sit down and be served.
- *All other outlets with checks over $3.50*—Dining out now more of a special occasion, calls for more of a special place.

Summary of Behavior Change: Families with Incomes of $15,000 and over

- Ten of the eleven restaurant categories suffered traffic losses in Period Two because of this group's overall cut-back in restaurant dining. Only the Pizza category was not affected by this change in customer visit patterns.
- Two categories were able to off-set traffic losses stemming from the contraction of visits through families shifting from other categories to them: Cafeterias and the higher priced all other outlets. The cafeteria gains could have been shifts for convenience, perceived value for the money or because cafeterias represent more of a controlled expenditure opportunity. The gains enjoyed by the higher priced all other outlets group seems to tie to families giving themselves a higher priced-maybe perceived higher quality-treat, when they *do* eat out—now that they are eating out less often.
- Other categories which benefited from shifts in visit patterns by higher income families include: Pizza, Full Menu, Chicken and fast-food Mexican restaurants. Viewing the specific categories from which the net gains were obtained suggests the following reasons for these benefits:
  —Higher perceived price/value relationship.
  —Trading up for more service and more variety.
  —More control over expense of family meals wanted.

Summary of Performance: Restaurant Categories

- Only the category all other outlets with checks over $3.50 experienced overall traffic gains for both upper and lower income families.
- The biggest overall traffic losers for both income segments were budget steak restaurants and all other outlets with checks of $3.50 or less.

- Shifting caused traffic gains for pizza restaurants and the higher priced all other outlets.
- Shifting caused traffic declines for budget steak restaurants and the lower priced all other outlets.

In Conclusion

- The primary change in behavior during times of economic pressure is a general contraction of restaurant visiting—more so among families with incomes less than $15,000 than among the balance of families.
- Visit contraction was responsible for the traffic decline experienced by ten of the categories among lower income families. The category shifting that did occur was not clearly reflective of trading down for price. It suggested heavier cut backs in eating out for lunch and supper becoming more of a special occasion.

Summary: Changes in Traffic by Restaurant Category

RESTAURANT CATEGORY	All Families	Families with Incomes under $15,000	Families with Incomes $15,000 and over
Sandwich Restaurants	Overall traffic down 10%; lower income families contributed more to decline.	Drop in traffic due to reduced restaurant visiting and "lost" buyers; little switching.	Drop in traffic due to switching to pizza, chicken and cafeteria restaurants as well as to reduced visiting and "lost" buyers.
Budget Steak Restaurants	Overall traffic down 17%, with rate of decline higher for lower income families.	Drop in traffic due to reduced restaurant visiting and "lost" buyers; little switching.	Drop in traffic due to switching to pizza, chicken, cafeteria and higher priced restaurants as well as "lost" buyers and reduced visiting.
Chicken Restaurants	Overall traffic down 7%, with lower income families accounting for nearly all of the loss.	Drop in traffic due primarily to reduced restaurant visiting, approximately ¼ of loss due to switching to pizza, fish-fast food, other higher priced restaurants.	Traffic remained nearly unchanged because reduced visits were offset by shifting gains from budget steak, sandwich, hotel, cafeteria and other lower priced restaurants.
Pizza Restaurants	Overall traffic up 6%, with all of the gain due to higher income families.	Drop in traffic due to reduced restaurant visits and "lost" buyers; some traffic gains from shifting from sandwich, chicken, fish-fast food and lower priced outlets.	Traffic gains due almost entirely to shifting gains from nearly all restaurant categories except Mexican-fast food and higher priced outlets.
Full Menu Restaurants	Overall traffic down 3%, with lower income families responsible for the loss.	Decline in traffic due to "lost" buyers and reduced restaurant visits. Gains from shifting from cafeteria budget steak, fast food categories and lower priced outlets could not offset losses.	Decline in traffic due primarily to reduced restaurant visits which were not offset by shifting gains from all restaurant categories except pizza and Mexican-fast food.

Summary: Changes in Traffic by Restaurant Category

RESTAURANT CATEGORY	All Families	Families with Incomes under $15,000	Families with Incomes $15,000 and over
Hotel Restaurants	Overall traffic down 16% due to heavy dependence on high income families.	Decline in traffic due to "lost" buyers and reduced restaurant visits. Some gains from pizza, Mexican-fast food, full menu, budget steak and lower priced outlets.	Traffic loss due primarily to reduced visits as well as shifting to budget steak and pizza restaurants.
Cafeterias	Overall traffic down 7%, with losses due exclusively to lower income families.	Nearly half of traffic loss was due to switching to sandwich, chicken, budget steak, full menu and high and low priced restaurants; traffic drop also due to reduced restaurant visits.	Traffic increased because of shifting gains from lower priced outlets, hotel, budget steak and sandwich restaurants.
All Other Outlets with Checks of $3.50 or less	Overall traffic down 22%, with loss due primarily to upper income families.	Drop in traffic due primarily to reduced restaurant visits; some shifting to pizza, hotel, full menu, sandwhich and budget steak restaurants.	Drop in traffic due to reduced restaurant visits and to switching to all other restaurant categories.
All Other Outlets with Checks over $3.50	Overall traffic up 6%, due to gains from both upper and lower income families.	Traffic gains from all other restaurant categories more than offset losses due to reduced restaurant visits and "lost" buyers.	Traffic gains from all other restaurant categories more than offset losses due to reduced restaurant visits and "lost" buyers.
Fish-Fast Food Restaurants	Overall traffic down 13%, decline due to higher income families because these families account for nearly 80% of total traffic.	Traffic off only 1% due to "new" buyers which helped to offset reduced visit rate.	Drop in traffic due to reduced restaurant visits and to shifting to higher priced outlets, budget steak, pizza, hotel, cafeteria and full menu restaurants.
Mexican-Fast Food Restaurants	Overall Traffic down 10%, with lower income families responsible for decline.	Drop in traffic due to switching to higher priced restaurants, hotel, chicken and full menu restaurants; reduced restaurant visits also contributed to traffic loss.	Traffic remained unchanged because reduction in restaurant visiting was offset by "new" buyers and shifting gains from nearly all restaurant categories except sandwich restaurants.

Wholesale Price Index

COMMODITY	Percent Change 1978-1979	Feb. 79-Feb. 80	2 Mos. 79-2 Mos. 80	Jan. 80-Feb. 80
Bakery Products	10.0%	12.7%	12.4%	1.6%
Flour & Cereal	12.4%	19.2%	18.8%	2.4%
Beef & Veal	24.7%	7.2%	7.4%	3.1%
Other Meats	(2.8%)	(18.2%)	(16.4%)	(2.5%)
Poultry & Eggs	0.7%	(13.4%)	(9.4%)	(5.6%)
Fish & Shellfish	22.6%	6.2%	9.7%	(0.9%)
Sugar & Sweets	6.9%	22.7%	17.1%	11.6%
Vegetables	2.0%	(21.2%)	(15.2%)	(4.6%)
Fruits & Juices	8.7%	8.0%	8.2%	3.8%
Beverages	0.8%	16.4%	15.9%	(1.0%)
Dairy Products	12.1%	8.9%	8.9%	(0.1%)
Fats & Oils	6.4%	7.0%	7.8%	0.1%
NRA Food Cost Index	12.2%	2.6%	4.1%	0.4%
All Food, Producer Price Index[1]	9.5%	0.2%	2.7%	(2.6%)

[1] Includes all processed foods (except soft drinks, alcoholic beverages and animal feeds) plus eggs and fresh and dried fruits and vegetables.

SOURCES: *Producer Price Index*, Bureau of Labor Statistics, National Restaurant Association.

Industry Index

RETAIL SALES (000,000)	Feb. 1980	Percent Change vs. Year Ago	Year to Date Sales 1980	Percent Change vs. Year Ago
All Retailers	$70,313	+15.9%	$139,949	+14.2%
Eating & Drinking Places	$ 6,050	+13.3%	$ 12,236	+14.1%
Food Stores	$16,544	+16.4%	$ 33,164	+13.7%

(Source: Bureau of Census, unadjusted data. Subject to revision.)

CONSUMER PRICES (February)	Percent Change vs. Year Ago	Percent Change 1980 to Date vs. Year Ago
Food at Home	+ 5.8%	+ 6.8%
Food Away from Home	+10.7%	+11.0%
All Items Less Food	+15.6%	+15.4%

(Source: Bureau of Labor Statistics.)

EATING PLACE INDICATORS (000,000)	Dec. 1979	Percent Change vs. Year Ago	Year to Date Sales	Percent Change vs. Year Ago
Eating Place Sales	$5,858	+10.1%	$66,584	+9.2%

	Percent Change vs. Year Ago	Percent Change Year to Date vs. Year Ago
Real Eating Place Sales (Dec.)	-1.3%	-2.0%

(Sources: Bureau of Census, Bureau of Labor Statistics, NRA calculations. Subject to revision.)

EMPLOYMENT AND EARNINGS	Dec. 1979	Percent Change vs. Year Ago
Total Employment	4,581,800	+6.1%
Nonsupervisory Employment	4,218,100	+6.0%
Nonsupervisory Average Hourly Earnings	$3.51	+5.7%
Average Weekly Hours	26.5	N.C.

(Source: Bureau of Labor Statistics.)

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FOODSERVICE
TRENDS
Volume 2, Number 4
May, 1980

analysis and interpretation
- the industry
- the market
- consumer behavior and attitudes

In This Issue:

- **Consumers Showed Sensitivity To Restaurant Prices During Spring/Summer '79.**
- **CREST Quarterly Supplement: Customer Traffic Increases In Winter Quarter.**
- **NRA Publishes New Operating Ratio Report.**
- **The Recession Has Finally Begun.**
- **Youths Willing To Work At Subminimum Wage.**
- **Wholesale Outlook: Red Meats and Poultry.**

CONSUMERS SHOWED SENSITIVITY TO RESTAURANT PRICES DURING SPRING/SUMMER '79

In a continuing attempt to evaluate the impact of current economic stresses on the restaurant industry, the National Restaurant Association commissioned CREST to conduct an extensive study of restaurant visit patterns. In last month's *Foodservice Trends* we presented highlights from the first phase of this study which described changing restaurant visit behavior emphasizing visits to specific restaurant categories. In this issue we present information which shows consumers' sensitivity to menu price increases during economically pressing times and their inclination to alter their eating out patterns.

For this phase of the study only supper/dinner restaurant visits were analyzed assuming that they reflect the more discretionary aspect of eating out. Two time periods were examined to determine, what, if any changes had occurred in consumer supper eating out patterns. Period One covered March through August 1978, a time of relative strength for the industry, and Period Two covered March through August 1979, a time of industry weakness. In addition, families were divided into two income groups-lower income (earning under $15,000) and upper income (earning $15,000 or more) to evaluate behavioral changes due to income.

Restaurants were grouped by average per person check size to ascertain customer's sensitivity to price. These restaurant groups are identified as follows: check size under $2.00, check size between $2.00 and $2.99, check size between $3.00 and $4.99 and check size of $5.00 and over. For the purpose of this investigation, specific restaurant categories (sandwich, pizza, chicken, fish, etc.) were not identified. (Readers should refer to the March/April issue of *Foodservice Trends* for an analysis of changes in customer traffic during this period by restaurant category only.) Restaurants were also classified by price per item increases, Low (under 4%), Moderate (4% to 10%), and High (over 10%). (Two consecutive periods for calculating price changes were used since consumers are probably more inclined to react to a recent price increase than to an increase taken from the previous year. The two periods used were September 1978—February 1979 versus March-August 1979.)

In the remaining sections of this report readers will find highlights of pertinent information from this second phase of the NRA/CREST study. The data reveals that family income does influence restaurant visit behavior in economically pressing times, and the information has helped us to identify two major reasons for traffic changes between these two time periods—decline in visit frequency and families dropping out of the market. In addition, families shifting from one price restaurant segment to another also influenced customer traffic at restaurants, and readers will find a table summarizing these changes at the end of this report.

General Behavior Differences Between the Two Income Groups

- Lower income families cut back on supper restaurant visits at a faster rate than higher income families with traffic down 10 percent for lower income families versus a 6 percent decline for upper income families. (Overall supper traffic was down 8 percent.)
- Families with incomes under $15,000 allocate more of their supper visits to restaurants with checks under $2.00 while families with incomes of $15,000 or more allocate a greater share of their supper visits to higher priced restaurants.
- Lower income families displayed a tendency to shift to higher priced restaurants, replacing two or more inexpensive supper visits with one expensive visit. As a result, the share of their supper visits allocated to

higher priced restaurants increased during the study period.

- Higher income families were more inclined to shift to lower priced restaurants, replacing a nearly equal number of supper visits to higher priced restaurants with visits to lower priced restaurants. As a result the share of their restaurant supper visits at higher priced restaurants declined while their share of visits to lower priced restaurants increased.
- Overall, families with incomes of $15,000 or more were primarily responsible for the decline in supper traffic at more expensive restaurants and families with incomes of less than $15,000 contributed most to the declines at lower priced outlets.

Restaurant Preference Comparisons by Income Group

Restaurant Price Segment	Families with Incomes Under $15,000 March-August '78	 March-August '79
Check under $2.00	29.6%	26.8%
Check $2.00-$2.99	23.6%	23.9%
Check $3.00-$4.99	29.9%	31.5%
Check $5.00 and over	16.9%	17.8%

Restaurant Price Segment	Families with Incomes of $15,000 or More March-August '78	 March-August '79
Check under $2.00	22.2%	22.9%
Check $2.00-$2.99	20.9%	21.7%
Check $3.00-$4.99	30.4%	29.4%
Check $5.00 and over	26.5%	26.0%

SOURCE: CREST

NRA FOODSERVICE TRENDS

Robert H. Power	President
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Share of Traffic Decline

Restaurant Price Segment	Families with Incomes Under $15,000	 $15,000 and Over
Check under $2.00	78%	22%
Check $2.00-$2.99	69%	31%
Check $3.00-$4.99	24%	76%
Check $5.00 and over	19%	81%

SOURCE: CREST

Contraction in Visit Rate Caused 60 Percent of Supper Traffic Decline

- Approximately 60 percent of the overall supper traffic loss was due to reduced restaurant visiting, with low income families contributing disproportionately to this loss.
- No check size segment was able to gain supper traffic by increasing the visit rate from existing buyers.
- Restaurants with average checks under $2.00 suffered a sharper cut back in visit rate than the industry as a whole, with a faster rate of decline for families with incomes of less than $15,000.
- Slowest overall declines from contraction in visits were at restaurants with checks over $3.00.
  - —Cut back for low income families at these restaurants was below that of upper income families. Apparently, low income families were more willing to sacrifice a number of inexpensive visits for a more expensive visit in their desire to make dining out a special occasion.
  - —High income families reduction in visit frequency was most pronounced at higher check restaurants; however, because these families visit higher priced outlets more frequently than the average restaurant patron they had more room for "trimming."

Families Dropping Out of the Super Market Caused 40 Percent of the Traffic Decline

- In the Spring/Summer of 1978, 73.8 percent of all families ate supper out at least once during an average four week period. Penetration dropped to 69.7 percent in the Spring/Summer of 1979.
- Approximately 40 percent of the supper/dinner traffic loss was due to loss of buyers, with lower income families more likely to leave the market than families with incomes of $15,000 or more.
- No check size category was able to gain supper traffic by attracting new buyers.

- The lowest priced restaurants were hurt most during the March-August 1979 period from buyer exit and suffered losses from both income groups. Possibly families had no place left for trading down or they were priced out of the market.
- Lower income families accounted for the above average dinner traffic loss due to buyer exit for restaurants with average checks of $3.00 to $4.99 and $5.00 and over.
- Restaurants with an average per person check of $2.00 to $2.99 did the best job of maintaining their buyer base because they were able to attract some low income families and because they experienced a below average buyer loss from upper income families.

Consumer Shifting Benefited Lowest Priced Restaurants

- Overall, the lowest priced restaurants gained the most from consumers shifting from one price restaurant segment to another. However, this failed to offset the disproportionately high losses from 1) buyers reducing their supper visit rates and 2) buyers leaving the market. As a result, total supper traffic dropped for lower priced restaurants.
- Shifting played an important role in the performance of each restaurant price segment this past Spring/Summer and appears to reflect trading down on the part of consumers.
  —69 percent of the net shifting gain went to restaurants where the average check was under $2.00.
  —27 percent of the net shifting gain went to restaurants where the average check was between $2.00 and $2.99, and only 5 percent of the net gain went to the over $5.00 check size segment.
- Restaurants with checks of $3.00 to $4.99 absorbed all of the net loss due to shifting, reflecting consumer tendency to trade down.
- Those restaurants taking the largest price increases experienced overall supper traffic losses at twice the rate for restaurants with moderate and low price increases.
- For low check size restaurants overall gains from shifting were concentrated among restaurants with the lowest price increases.
- For high check size restaurants supper traffic gains from shifting were concentrated in restaurants with moderate price increases.

Change in Traffic by Size of Price per Item Increase March-August 1978 Versus March-August 1979

	Percent Change in Traffic		
		Families with Incomes	
Size of Price Per Item Increase	All Families	Under $15,000	$15,000 and Over
Over 10%	–12%	–14%	–11%
Between 4% and 10%	– 5%	–10%	– 3%
Under 4%	– 6%	– 9%	– 5%
All Restaurants	– 8%	–11%	– 6%

SOURCE: CREST

Percent Change in Traffic March-August 1978 Versus March-August 1979

		Families with Incomes	
Restaurant Group	All Families	Under $15,000	$15,000 and Over
Check under $2.00	– 9%	–19%	– 3%
Increase 10% +	– 2%	– 9%	+ 3%
Increase 4%-10%	–18%	–27%	–12%
Increase under 4%	– 1%	–17%	+11%
Check $2.00-$2.99	–13%	–10%	– 2%
Increase 10% +	– 5%	–11%	–14%
Increase 4%-10%	+ 2%	–20%	+ 4%
Increase under 4%		– 2%	+ 4%
Check $3.00-$4.99	– 8%	– 6%	– 9%
Increase 10% +	–18%	–26%	–14%
Increase 4%-10%	– 1%	+ 3%	– 3%
Increase under 4%	–18%	+ 7%	–19%
Check $5.00 and over	– 7%	– 6%	– 8%
Increase 10% +	–17%	– 7%	–21%
Increase 4%-10%	+ 5%	+ 8%	+ 4%
Increase under 4%		–22%	–11%
Total	– 8%	–11%	– 6%

SOURCE: CREST

Summary: Changes in Customer Traffic by Restaurant Price Segment and Price per Item Increase (March-August 1978 Versus March-August 1979)

RESTAURANT PRICE SEGMENT	GENERAL CONCLUSIONS	PRICE PER ITEM INCREASE 10% + (HIGH)	PRICE PER ITEM INCREASE 4%-10% (MODERATE)	PRICE PER ITEM INCREASE LESS THAN 4% (LOW)
Check Size Under $2.00	Restaurant groups high dependence on low income families caused the sharpest decline in traffic, −9% vs −8% for industry. Segment actually gained from shifting of upper income families who tended to trade down. However, both income segments reduced their visit frequency to these restaurants.	Upper income families increased their visit rate to this restaurant sub-group, and shifted from higher priced restaurants. Lower income families shifted away from this subgroup to higher priced restaurants with low and moderate price increases.	Upper income families substantially reduced their visit frequency to these restaurants. However, these families tended to shift their supper visits from all other restaurant priced segments to this group. Traffic at these restaurants for lower income families dropped substantially because of reduced visit frequency and shifting to other restaurant price segments.	Upper income families increased their visit rate to these restaurants and tended to shift from all other restaurant price segments, i.e. trading down. Traffic for lower income families dropped because they reduced their visit frequency and traded up to higher priced restaurants.
Check Size $2.00-$2.99	This group of restaurants held traffic best during the Spring/Summer 1979 and buyer loss was below the industry average. Reduction in visit frequency was on par with industry. Overall shifting gains due to trading down by higher income group. This segment's customers are very price sensitive as outlets with sharpest price increases lost to shifting.	Upper income families dropped out of this market and reduced their visit frequency. In addition, they tended to trade down to the lower priced restaurants. Traffic for lower income families dropped because they sharply cut back on their visit frequency and tended to trade down to lower priced restaurants and to shift to those restaurants with low and moderate price increases.	Traffic for upper income families increased because they increased their visit frequency and tended to trade down from higher priced restaurants, particularly those with checks over $5.00. Traffic declined dramatically for lower income families because they reduced their visit frequency and tended to trade down to lower priced restaurants.	Shifting gains from restaurants with checks of $3.00 to $4.99 caused traffic for upper income families at this restaurant sub-group to rise. Although this segment was able to attract new lower income buyers and to gain lower income families from the lower priced restaurants, losses due to reduced visit rate by families with incomes under $15,000 could not be totally offset.
Check Size $3.00-$4.99	Traffic dropped roughly at the same rate as the industry average, with upper income families accounting for 76 percent of the loss. Buyer loss was slightly higher than for the industry, with sharpest loss due to lower income families. Sharp drop in visit frequency for lower income families at outlets with the highest price increases. This is the only restaurant price segment which lost traffic due to shifting, with higher income families trading down and many lower income families trading up.	Traffic declines for upper income families due primarily to reduced visit frequency and shifting to lower priced restaurants as well as to restaurants with low and moderate price increases. Traffic declines for low income families also due to reduced visit frequency and shifting patterns. Lower income families tended to shift in nearly equal proportions to the lowest and highest priced restaurants.	Upper income families cut back dramatically in their visit rate to these restaurants. However, there was also a tendency on their part to shift to higher priced restaurants. Traffic for families with incomes under $15,000 rose by 3 percent because of increased visit frequency and their tendency to trade up from lower priced restaurants.	Traffic declined substantially for upper income families due to reduced visit rate and the tendency on the part of these families to trade down to lower priced restaurants as well as to trade up to restaurants with checks of $5.00 or more. Traffic gains for lower income families can be attributed to the fact that these restaurants were able to attract new buyers as well as shifting gains from lower priced restaurants. This could be interpreted as a tendency on the part of lower income families to up grade their eating out experience.
Check Size of $5.00 and over	These restaurants held customer count somewhat better than the balance of the industry this past Spring and Summer. Their higher dependence on upper income families aided this segment because these families were less likely to drop out of the market and to sharply cut back on visit frequency. However, the higher income group accounted for 81% of the decline, primarily due to their tendency to trade down. Outlets taking moderate price increases fared best.	Traffic declines for the high income group were due to reduced visit rate and the group's tendency to trade down to lower priced restaurants. Traffic loss for lower income families due primarily to buyers dropping out of the market. Shifting gains from lower priced restaurants were not enough to offset these losses.	Shifting gains from restaurants with checks between $3.00 and $4.99 resulted in an increase in traffic for upper income families at these restaurants. Lower income families increased their visit frequency to these restaurants. In addition they also tended to trade up, primarily shifting from restaurants with checks under $2.00.	Shifting losses and reduced visit frequency for upper income families caused traffic to decline. These families traded down to lower priced restaurants. Lost buyers and reduced visit rates caused traffic decline for lower income families at these restaurants. Shifting gains from lower priced restaurants could not be offset by losses to high priced restaurants taking moderate price increases.

NATIONAL
RESTAURANT
ASSOCIATION

CREST REPORT

Quarterly Supplement to
Foodservice Trends
May, 1980

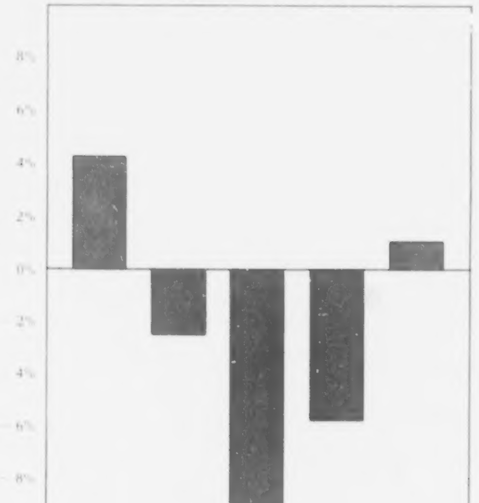
CREST Highlights

- **Traffic increases 1.0 percent in the Winter Quarter.**
- **More families were eating out this past winter versus the winter of '79, but visit frequency was down.**
- **Industry sales rose 10.6 percent in the Winter Quarter, considerably above the gains of the previous two quarters.**
- **Promotional activity reached a new high in the Winter Quarter, with 8.7 percent of the eater occasions involving some sort of promotion.**
- **Lunch traffic declined for the fourth straight quarter, but the rate of decline is slowing.**
- **Customer traffic at fast food and family type restaurants rose this past winter, while traffic dropped off considerably at cafeterias.**

CUSTOMER TRAFFIC INCREASES IN WINTER QUARTER

Restaurant customer traffic increased in the Winter Quarter (December, January and February) according to the most recent information from CREST, a reversal of the trend the industry had been experiencing in the prior three quarters. Traffic in the CREST Winter Quarter was up 1.0 percent compared to a 5.8 percent drop in the Fall and a 9.1 percent decline this past Summer. The relatively mild winter experienced by most of the country as well as a general trend for consumers to return to some of their previous eating out habits are believed to have contributed to the rise in customer traffic at the nation's restaurants.

Percent Change in Customer Traffic



SOURCE: CREST.

Despite an improvement in customer traffic this past Winter, CREST researchers believe the industry will be slow to recover as the economic pressures it felt last year will continue through most of 1980. With the economy now in a recession, future traffic and sales gains for restaurants may become increasingly difficult to attain. (See "The Recession Has Finally Begun" on page 10.)

The National Restaurant Association has predicted the industry will rebound slowly in 1980 and expects eating place sales adjusted for inflation to decline. Sales in the coming months could be slow as consumers make adjustments in their spending patterns because of actual and perceived economic pressures. One indication that sales growth is already slowing can be found in recently released figures on eating and drinking place sales. After registering substantial sales gains in January and February over the same months in 1979, sales rose only 3.6 percent in March of this year compared to March of last year, as shown in the following table. We will continue to monitor this situation.

Eating and Drinking Place Sales

Month	Percent Change From Same Month in Previous Year
December	+ 9.8%
January	+14.0%
February*	+13.8%
March*	+ 3.6%

*Figures subject to revision.

SOURCE: *Current Business Reports*, Bureau of the Census.

More Families Eating Out

One of the reasons for the rise in customer traffic at the nation's restaurants this past Winter Quarter was an increase in the number of families eating out. The number of families eating out this Winter compared to the same period last year rose nearly 2.0 percent, while in the previous three quarters this number declined. Less rapid advances in menu prices and the fact that consumers reverted to some of their previous eating out patterns helped increase the number of families dining out. In addition, it is likely that increased promotional use by restaurants resulted in more households eating out.

Another factor which contributed to the traffic rise was a slight increase in the average party size, from 1.92 in the Winter of 1979 to 1.93 in the Winter of 1980.

A decline of 1.4 percent in the frequency of eating out, however, kept traffic from rising at an even faster rate. We believe part of this is due to families making eating out a special occasion. (Readers should refer to the March/April *Foodservice Trends* and to the article on page 1.) Also, we believe that many families could not afford to eat out as often as they had in the past because of higher restaurant prices and less disposable income due to overall inflation and rising energy costs.

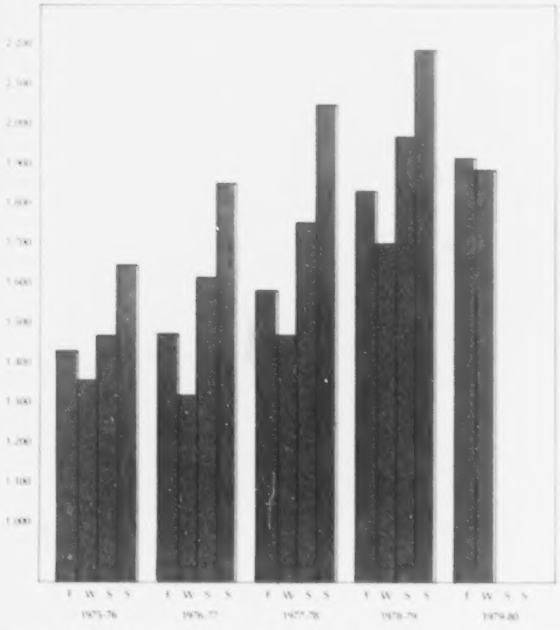
Industry Sales Post 10.6% Gain in Winter Quarter

Industry sales advanced at a considerably faster pace in the Winter Quarter than they had in the Fall or Summer. CREST restaurant sales climbed 10.6 percent in this most recent quarter over the same period last year, compared to only a 4.1 percent rise in the Fall and 1.7 percent in the Summer. The slight increase in traffic helped to boost sales, while traffic declines in the previous two quarters had resulted in substantially smaller sales gains.

During the Winter Quarter the average expenditure for a restaurant meal or snack (Eater Check Size) advanced at the slowest pace since the Summer of 1978, and reversed the trend of double digit rises which the industry had been experiencing. Average per person check size advanced 9.3 percent in the Winter of 1980, from $2.27 in the same period in 1978 to $2.48. This compares to increases of 10.2, 11.7 and 14.4 percent in each of the previous three quarters. It does appear that prices have finally begun to moderate, and this is further confirmed by Consumer Price Index data which show rises in food away from home have slowed. While a change in the mix of meals and the composition of industry sales by outlet type can also influence eater check size, price increases are undoubtedly the major contributing factor.

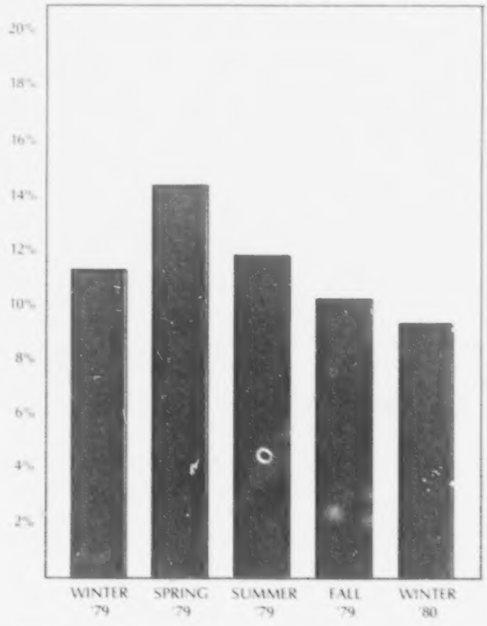
The reduced rate of check size increase over the past year (from a high of 14.4 percent last Spring to the most recent 9.3 percent rise) probably has helped to slow the decline in customer traffic.

Quarterly CREST Sales Dollars*
1975-1980



*Based on total U.S.; average for 2 week period each quarter.

Percent Change in
Per Person Check Size



SOURCE: CREST

Promotional Activity Reaches New High

Restaurant operators continued to use promotions as a means to build up traffic. The percent of occasions involving a promotion this Winter Quarter was 8.7 percent, the highest proportion attained during the history of CREST.

The use of promotions in the recent Winter Quarter is considerably above that of last year's Winter Quarter when 7.7 percent of the restaurant occasions involved a deal. It would appear that operators were successful in their use of promotions because traffic and the number of families eating out both increased.

Lunch Traffic Continues to Decline

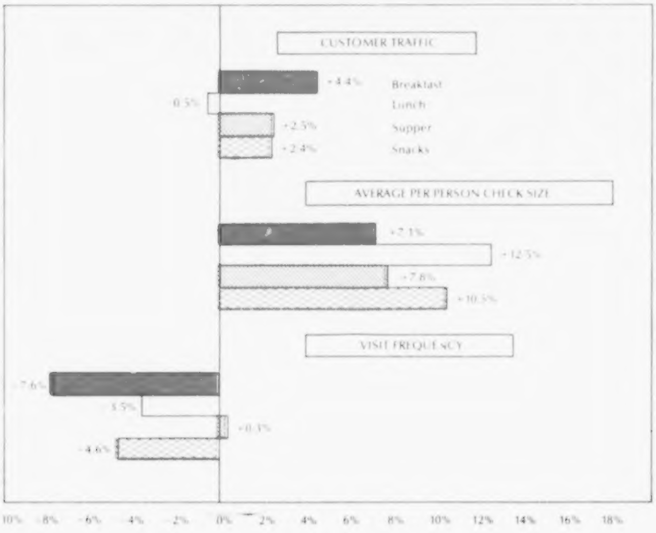
For the fourth straight quarter lunch traffic has declined, although the rate of decline has slowed considerably. Customer traffic for the lunch meal was down less than one percent in the Winter Quarter of '80 over the Winter Quarter of '79, and is considerably lower than the 7.2 percent drop in the Fall Quarter. Rising prices contributed to lower customer counts at lunch. The average per person check size for lunch rose 12.5 percent in the Winter quarter compared to a substantially lower 9.3 percent increase for all meals. A recent NRA/CREST study has shown that consumers are sensitive to price increases and will cut back on their eating out because of this. (See article on page 1.) In addition, employment increases have been moderating and unemployment has been rising, causing a more modest expansion in the number of people working.

Snack traffic rose 2.4 percent in the Winter Quarter after a 12.7 percent drop in the Fall. CREST data indicate that a considerable proportion of snack occasions involved a deal and that the number of families eating out for snacks increased considerably.

Supper traffic continues to hold up better than the industry average. In the Winter Quarter customer count was up 2.5 percent over the same period last year for the first increase in supper customer count in a year. An analysis of CREST data shows that promotions were used on twice as many occasions for supper than for either breakfast or lunch, helping to boost supper traffic. In addition, the evening meal was the only meal occasion which families ate out more frequently in the Winter of '80 than in the Winter of '79. We believe that many consumers were making eating out a special occasion and that they perceived they were getting good value for their money. (Eater check size for supper rose only 7.8 percent in the Winter Quarter compared to an industry rise of 9.3 percent.)

Breakfast traffic increased for the second straight quarter, primarily because more families ate breakfast out in this recent quarter than in the same quarter last year. A high usage of promotions by operators as well as lower than average increase in prices also helped to attract families to the breakfast market.

Changes in Customer Traffic, Average Per Person Check Size and Visit Frequency by Meal Occasion (Winter '79 vs. Winter '80)



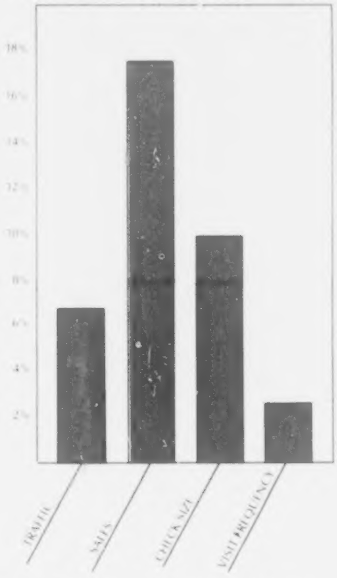
Traffic at Fast Food and Family Restaurants Rise

After three successive quarters of traffic declines, traffic at both fast food and family type restaurants rose in the most recent quarter. In addition, sales for both these restaurant types posted above average increases.

Fast food restaurants were able to attract more families to their outlets and families were eating out more often at fast food establishments in the Winter of '80 than in the Winter of '79. In addition, fast food restaurants were able to slow their rate of price increases to less than 10 percent and use promotions more extensively than other perceived restaurant types.

Traffic at cafeterias, however, was down considerably in the Winter Quarter over the same period a year ago. A sharp decline in the frequency of eating out at cafeterias by families in the Winter Quarter was the prime reason for the drop in cafeteria customer count. Average per person check size was up at nearly twice the rate as the industry average and probably caused many families to re-evaluate the value of eating out at cafeterias. (See Gallup article in March/April *Foodservice Trends*.)

Fast Food Restaurants
Winter '79 vs. Winter '80



SOURCE: CREST, Winter Quarter, December 1979-February 1980

WHAT IS CREST?

Launched in September 1975, the CREST (Chain Restaurant Eating-Out Share Trends) survey is designed to track expenditures and behavior in the commercial segment of the foodservice industry. While the study name refers to chain trends, a great deal more is available including information by type and classification of restaurant and also by meal or snack period.

Some 10,000 families, or approximately 30,000 persons, are chosen to reflect the U.S. and participate in the study. Each family is asked to record restaurant experiences for a particular two week period for each of the four quarters during the year. Because the study is repetitive, it allows an excellent opportunity to follow changing trends.

In order to properly complete the CREST diary, several steps are involved. Step 1 requires a daily entry for each meal during the two week period for each household member. Whenever the code for restaurant purchases appears, the participant is asked to elaborate on the occasion by making further entries in the diary.

The second portion of the diary is used only if a household member ate or obtained food prepared away from home in establishments such as restaurants, hotels or motels, fast food drive-ins, delicatessens, refreshment stands, carry outs, coffee shops, donut shops, ice cream shops or eating places inside variety stores or other retail stores. The diary will *not* include any meals eaten at schools, hospitals, colleges or other institutional feeding places. When the two week reporting period is complete, the diary is returned to NPD Research, Inc.

The CREST study is a joint effort of individual foodservice organizations acting in concert to fund a study perhaps beyond the economic reach of any of the individual participants. The NRA is solely a participant in this study and not a sponsor.

The CREST study is designed to provide information on customer behavior, not attitudes. This study will, therefore, provide the user with information on how much people spend, where they spend, what they spend on, etc. It will not tell people's attitudes toward a particular issue. It will, because it is an ongoing study, allow comparison against a standard or the development of trend analysis, and enable the operator to make decisions based on documented trends rather than casual observation.

NRA PUBLISHES NEW OPERATING RATIO REPORT

In response to frequent inquiries from members of the foodservice industry and investors who seek information on the financial and operating data of the nation's restaurants, the National Restaurant Association has published *Restaurant Operations Report '79*. The data analysis and compilation were performed by Laventhol and Horwath, the international accounting firm, and the actual data were provided by NRA members.

This is the first comprehensive study of the operating results of restaurants that includes specific financial information on full menu restaurants and limited menu restaurants (both with and without tableservice).

The data have been compiled on the basis of restaurant type, location, years of operation and other significant categories. We have divided the report into two sections—one section deals with restaurants serving food only and the other section deals with restaurants serving both food and alcoholic beverages.

The accompanying table is a sample of the information included in this report. The same data is available for full menu and limited menu restaurants as well as for restaurants serving food only. Other information shown in this publication include:

- Breakdown of payroll expenses by function
- Return on assets ratios
- Total cost of sales
- Breakdown of administration, advertising, utilities and direct operating expenses.

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Income and Expense Ratios for All Restaurants Serving Food and Alcoholic Beverages

Sales	
Food	75.2%
Beverages	24.8
Total sales	100.0%
Cost of sales	
Food	39.6%
Beverages	29.5
Total cost of sales	36.6%
Gross profit	63.4%
Other income	2.0
Total income	65.4%
Controllable expenses	
Payroll	26.9%
Employee benefits	4.3
Direct operating expenses	5.4
Music and entertainment	.7
Advertising and promotion	2.5
Utilities	2.5
Administrative and general	5.6
Repairs and maintenance	1.7
Total controllable expenses	49.6%
Income before occupation costs	15.8%
Occupation costs	
Rent, property taxes and insurance	5.5%
Interest	.9
Depreciation	2.3
Total occupation costs	8.7%
Net income before other deductions	7.1%
Other additions and deductions	(.1)
Net income (loss) before income taxes	7.0%

NOTE: Ratios expressed as a percent of sales.

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COMPANY NAME ________________

ADDRESS ________________

CITY ________ STATE ________ ZIP ________

QUANTITY	CATALOG NO.	TITLE	PRICE
		Operating Ratio Report	
		Subtotal	
		Illinois residents add 6% sales tax	
		Shipping and handling charges add 10%	
		TOTAL	

THE RECESSION HAS FINALLY BEGUN

Lawrence Chimerine, Chief Economist for Chase Econometrics, stated at a recent seminar that our economy, after many false starts, has finally entered a recession. He believes that this economic downturn, however, will not be as severe as that experienced in 1974 and 1975 for three reasons:

- Inventories are not excessively high.
- Capital spending will continue in the energy, automobile and aircraft industries.
- Defense spending will be up.

While economists have been wrong in predicting when the economy would enter a recession, Dr. Chimerine said that five key factors indicate that the recession has finally begun.

- Housing construction is down and re-sales of existing homes have slowed dramatically. Higher mortgage interest rates have pushed up monthly payments so that many people are now priced out of the housing market and many families can no longer afford to move.
- Household spending, which has kept the economy growing, has slowed because consumers have less purchasing power. Declines in housing prices and in the stock and bond markets have caused household asset wealth to decrease. In addition, consumers are paying off their existing debt rather than purchasing new consumer goods.
- Export growth has slowed because the rising value of the dollar has made our goods more expensive overseas. In addition, slower economic growth for many foreign countries has lessened demand for U.S. made products.
- Tight credit has kept business inventories at a relatively low level. As a result, business has not been expanding its production.
- The budget position of state and local governments has worsened. It is difficult for them to raise money in the bond markets and revenue sharing funds are being curtailed.

As was stated earlier, this recession is not expected to be as severe as the one six years ago; however, the recovery will be slow. Consumers will not be in a position to radically increase their spending. Inflation, debt repayment and higher energy costs will hold real growth in consumer spending to a relatively low level.

Chase Econometrics short term economic outlook calls for inflation to remain high for at least the next three to four months because mortgage rate increases and recent gasoline price rises have yet to work their way through the economy. Inflation will most likely subside to an 11.0 or 11.5 percent rate in the second half of the year, and will not dip below this level because labor costs will remain high and food prices are expected to rise in the latter part of 1980.

The short term outlook for gasoline prices according to Chase Econometric predictions is not as gloomy as many had thought. After the ten cents a gallon rise due to the import tax works its way through the economy, gasoline prices are expected to rise about a penny a gallon a month. By the end of the year it is expected that consumers will be paying approximately $1.55 a gallon for gasoline, about a 50 percent increase over last year.

The impact of this economic outlook on the foodservice industry is not all bad. Although consumers will have less disposable income, they will be spending less on durable goods such as automobiles. This means that consumers may be more willing to spend some of their income on restaurant meals and other small luxuries. In the previous recession our research showed that many people perceived dining out as a form of entertainment and as a means to escape. We believe this same situation will exist during the present recession and help boost restaurant sales.

While many families indicate their summer vacation plans will be altered because of rising gasoline prices, their alternative plans show the industry can reap some benefits. A recent Gallup poll done for the National Restaurant Association reported that 31 percent will go to a local resort, 28 percent will not travel but stay close to home and 14 percent will take a shorter vacation. These responses indicate that foodservice operations in resorts close to large metropolitan areas and those close to population centers may not suffer a complete loss of business and should be able to capitalize on these changes through effective use of advertising and promotions.

YOUTHS WILLING TO WORK AT SUBMINIMUM WAGE

The preliminary results of a survey conducted for the U.S. Department of Labor reveal that many young people would be willing to take jobs at salaries below the Federal minimum wage of $3.10 per hour. We have highlighted information here which specifically pertains to working in foodservice facilities. (The full report which can be viewed at the Department of Labor in Washington, D.C. is entitled "Pathways to the Future:

A Longitudinal Study of Young Americans," conducted by the Center for Human Resources Research at Ohio State University.)

- Thirty-one percent of the respondents between the ages of 14 and 21 said they would work in a hamburger place for $2.50 per hour.
- Among the 5 private industry jobs cited, working at a hamburger place ranked second to working at a supermarket checkout counter for those willing to work at $2.50.
- Twenty-one percent of the young people said they would wash dishes at a salary of $2.50 per hour.
- Willingness to accept subminimum wages was inversely related to age: 64 percent of these 14 or 15 years old said they would work in a hamburger place for $2.50, while only 11 percent of those 20 to 22 years of age said they would do this.
- Among youths enrolled in high school, these jobs were very popular at the subminimum wage of $2.50:
  —Working at a supermarket checkout counter (49 percent)
  —Working at a hamburger place (48 percent)
  —Working away from home at a national forest or park (48 percent)

WHOLESALE OUTLOOK: RED MEATS AND POULTRY

Wholesale food costs for restaurants have averaged only 3.9 percent higher in the first quarter of 1980 compared to the same period last year, when costs advanced 17.0 percent according to NRA's Food Cost Index (FCI). On the other hand, All Food from the Producer Price Index rose at a slightly slower 3.2 percent pace during this same period. Continued rises in beef and veal prices, together with sharply higher prices for bakery products, flour, fish and shellfish, sugar and dairy products in this first quarter have caused food costs for restaurants to move upward at a faster pace. Considerably lower prices for pork, poultry, eggs and vegetables provide some positive news to the wholesale food price picture, however.

Beef Prices Expected To Rise 6% in 1980

Wholesale beef prices are expected to rise at a considerably slower pace in 1980 than in 1979. Chase Econometrics expects beef prices at the wholesale level to advance 6 percent this year compared to a sharper 25 percent rise in 1979. Lower demand because of the adverse effects of the recession together with large supplies of competing meats will keep prices from climbing at the pace experienced last year. However, overall beef production will be down about 3 percent this year causing some upward pressure on prices.

Choice beef prices this Spring have been low, and Dennis Stedman of Chase Econometrics attributes this to an over-reaction to the recession news. As a result, profit margins for cattle producers are low, and feedlot operators are placing fewer cattle on feed. This is expected to cause a reduction in choice beef supplies later this year. Mr. Stedman believes that if this situation persists we could see a dramatic rise in cattle prices by late Spring or early Summer. Robert Remmele, a livestock analyst with the U.S. Department of Agriculture, also believes that choice beef prices will be rising in the second half of 1980 because of reduced supplies.

Utility cow prices, which reflect the wholesale price of hamburger, are expected to rise less than one percent this year compared to a 37.1 percent jump in prices last year, according to Chase Econometric predictions. Overall supplies will meet the demand for hamburger-type beef, keeping prices from increasing at the rates experienced in 1978 and 1979. Utility cow prices are expected to reach a high of $52 per hundredweight in the second quarter and then decline to the $49 to $50 range in the last half of the year. In 1979, utility cow prices reached a peak of $54 per hundredweight in the second quarter and declined to about $48.50 in the last half of the year.

Pork Supplies Continue To Increase

During the first half of 1980 pork production will be about 16 percent above last year's first half production, while production in the last six months will be down 5 percent from the same period in 1979, according to the USDA's Remmele. Lower profits for hog producers in late 1979 and during 1980 have caused a cutback in production. However, 1980 pork production is still expected to be about 5 percent higher in 1980 than in 1979.

Pork prices at the wholesale level have been declining, due primarily to large supplies of competing meats and weak demand for pork. During the first half of 1980 pork prices are expected to average $38 per hundredweight compared to an average of $48 in the first half of 1979. Pork prices will rise in the third and fourth quarters because of lower supplies and because rising beef prices will also cause pork prices to increase. Remmele says hog prices could average in the mid $40's during the second half, while Chase's Stedman sees prices recovering to the low $40's.

Chicken Prices To Decline by 7% in 1980

Chase Econometric's Dennis Stedman believes 1980 broiler production will slow dramatically from the record levels in 1978 and 1979, with overall 1980 production up only 3 percent compared to an 11 percent increase in 1979. The large supplies of chicken together with those of pork will keep wholesale chicken prices lower during 1980 than in 1979, with Chase Econometrics forecasting that 1980 chicken prices will be 7 percent below 1979's level.

Wholesale Price Index

COMMODITY	Percent Change 1978-1979	Mar. 79-Mar. 80	3 Mos. 79-3 Mos. 80	Feb. 80-Mar. 80
Bakery Products	10.0%	13.0%	12.6%	0.4%
Flour & Cereal	12.4%	18.7%	18.7%	0.5%
Beef & Veal	24.7%	1.9%	5.5%	N.C.
Other Meats	(2.8%)	(15.3%)	(16.0%)	(0.9%)
Pork	(6.4%)	(18.9%)	(20.2%)	(2.0%)
Lamb	5.9%	3.2%	(2.5%)	7.4%
Poultry & Eggs	0.7%	(13.6%)	(11.0%)	3.7%
Poultry	(2.8%)	(15.9%)	(11.2%)	(2.7%)
Eggs	11.3%	(7.9%)	(9.9%)	22.5%
Fish & Shellfish	22.6%	8.9%	9.4%	1.7%
Sugar & Sweets	6.9%	20.2%	18.2%	(1.6%)
Sugar	8.3%	27.0%	27.0%	(8.2%)
Vegetables	2.0%	(7.8%)	(12.9%)	(0.1%)
Fresh Vegetables	0.5%	(13.3%)	(20.4%)	N.C.
Fruits & Juices	8.7%	4.2%	6.8%	(0.6%)
Fresh Fruit	5.8%	4.9%	8.4%	(1.9%)
Beverages	0.8%	17.0%	16.3%	0.3%
Dairy Products	12.1%	9.0%	8.9%	0.9%
Fats & Oils	6.4%	8.1%	7.9%	1.5%
NRA Food Cost Index	12.2%	3.4%	3.9%	0.5%
All Food, Producer Price Index[1]	9.5%	4.1%	3.2%	4.3%

[1] Includes all processed foods (except soft drinks, alcoholic beverages and animal feeds plus eggs and fresh and dried fruits and vegetables.

SOURCES: *Producer Price Index*, Bureau of Labor Statistics; National Restaurant Association.

Industry Index

RETAIL SALES (000,000)	Mar. 1980	Percent Change vs. Year Ago	Year to Date Sales 1980	Percent Change vs. Year Ago
All Retailers	$75,612	+4.4%	$214,797	+10.1%
Eating & Drinking Places	$ 6,492	+3.6%	$ 18,476	+10.1%
Food Stores	$17,025	+6.7%	$ 49,498	+11.0%

(Source: Bureau of Census, unadjusted data. Subject to revision.)

CONSUMER PRICES (March)	Percent Change vs. Year Ago	Percent Change 1980 to Date vs. Year Ago
Food at Home	+ 6.0%	+ 6.5%
Food Away from Home	+10.6%	+10.8%
All Items Less Food	+16.3%	+15.7%

(Source: Bureau of Labor Statistics.)

EATING PLACE INDICATORS (000,000)	Jan. 1980	Percent Change vs. Year Ago	Year to Date Sales	Percent Change vs. Year Ago
Eating Place Sales	$5,385	+16.4%	$5,385	+16.4%

	Percent Change vs. Year Ago	Percent Change Year to Date vs. Year Ago
Real Eating Place Sales (Jan.)	+5.2%	+5.2%

(Sources: Bureau of Census, Bureau of Labor Statistics, NRA calculations. Subject to revision.)

EMPLOYMENT AND EARNINGS	Jan. 1980	Percent Change vs. Year Ago
Total Employment	4,487,800	+7.3%
Nonsupervisory Employment	4,119,600	+7.3%
Nonsupervisory Average Hourly Earnings	$3.64	+5.5%
Average Weekly Hours	25.3	−0.4%

(Source: Bureau of Labor Statistics.)

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FOODSERVICE TRENDS

Volume 2, Number 5
June, 1980

analysis and interpretation
- the industry
- the market
- consumer behavior and attitudes

In This Issue:

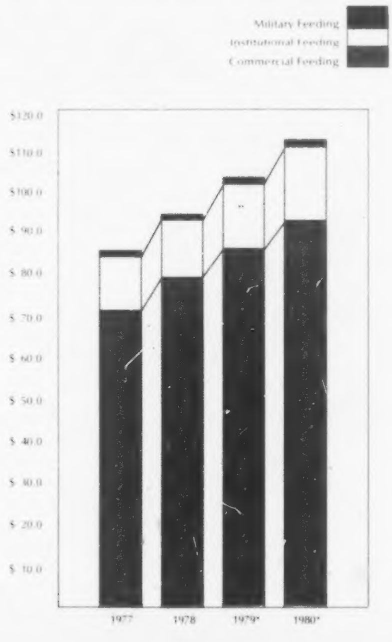
- **NRA Presents Revised 1980 Forecast.**
- **Roper Reports: Decline In Eating Out.**
- **The Foodservice Industry: 1978—NRA's annual study on the size and scope of the Industry.**

NRA PRESENTS REVISED 1980 FORECAST

For the past year the National Restaurant Association has been working with Chase Econometrics to develop the first comprehensive econometric model of the Foodservice Industry. The purpose of embarking on such a project was to give the NRA greater predictive capabilities in determining the impact of economic, political and demographic changes on Industry sales.

The model is now complete, and NRA's 1980 "most likely" forecast was presented at the May Board of Directors meeting in Chicago. We will present highlights of this forecast in the remaining sections of this report. Readers should be aware that the information shown here differs from that presented in the December issue of *Foodservice Trends* due primarily to more current economic data being available as well as more complete figures from the *1977 Census of Retail Trade*. In addition, the model also utilizes Chase's macro-economic and agricultural forecasts.

Foodservice Industry Sales, 1977-1980



The 1980 Economic Environment: Recession

NRA's 1980 "most likely" forecast is based on the overall economic picture. The country is now in a recession which will be less severe than the previous one in 1974-75. (See May *Foodservice Trends.*) The economy will begin pulling out of this economic slump late this year, and the recovery will continue into 1981. However, the recovery will be slow because the consumer will not be in a position to radically increase spending. Inflation, debt repayment and continued high energy costs will hold real growth in consumer spending to a relatively low level.

Other factors which will influence our industry's sales this year include:

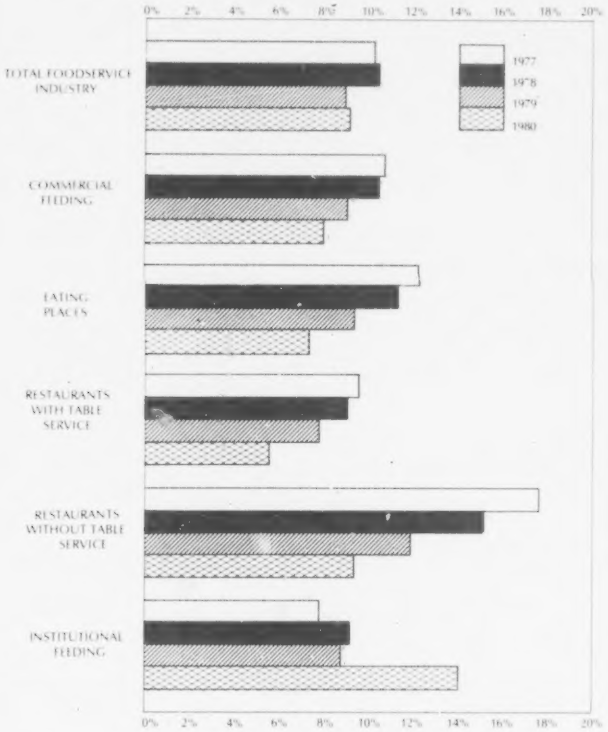
- A 4.4 percent decline in real disposable income, considerably sharper than the 1.4 percent drop in 1974.
- A 54.4 percent increase in gasoline prices, with year end prices reaching $1.55 a gallon.
- A 14.5 percent inflation rate for 1980, compared to a slower rate of 10.8 percent in 1974.
- A more rapid rise in menu prices than in grocery store food prices, 11.5 percent versus 7.6 percent.

Foodservice Industry Sales Up 9.1 Percent in 1980

The National Restaurant Association expects 1980 Foodservice Industry sales to reach $112.1 billion, an increase of 9.1 percent over 1979. We predict Commercial Feeding sales to rise 8.1 percent to $93.6 billion and Institutional Feeding sales to equal $17.8 billion. Military Feeding sales will increase from $613 million in 1979 to $744 million in 1980, due in part to increased emphasis by the military on its foodservice operations.

Eating place sales this year are forecast to reach $64.9 billion, up from $60.4 billion last year. This represents a 7.4 percent gain, considerably smaller than the 9.4 percent advance in 1979 and the 11.4 percent rise in 1978. As shown in the accompanying chart, sales for restaurants with table service will be $34.0 billion in

Foodservice Industry Sales: Percent Change in Current Dollars



1980, an increase of only 5.6 percent from the prior year. Sales for restaurants without table service, which include most fast food restaurants, will equal $26.6 billion this year, a gain of 9.3 percent from 1979. The rate of sales growth for this segment has been slowing, with a rise of 15.1 percent in 1978 and 11.9 percent in 1979.

NRA FOODSERVICE TRENDS

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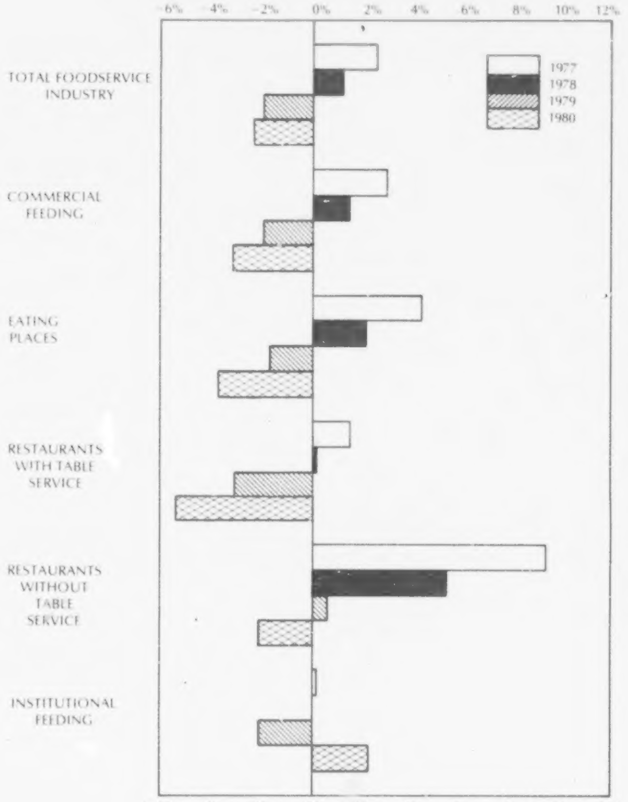
Joe A. Dodson	Chairman, Research Committee
Brian Harron	Executive Vice President
Patricia M. Pinto	Director, Marketing and Operations Planning
Bette B. Hoyt	Research Associate and Editor

Real Sales Expected To Decline

Real sales for the Foodservice Industry (sales adjusted for inflation) are expected to decline for the second year. Industry sales in real terms will be down 2.2 percent in 1980, approximating the 2.0 percent decline last year. This seems to indicate that the industry is more susceptible to economic downturns and inflationary pressures than in the past. However, NRA expects that the demographic and lifestyle trends of the late 70's and early 80's will be very beneficial to the industry and will boost real sales gains to their previous peak by the mid 1980's.

Foodservice Industry Sales: Percent Change in Real Dollars



Real eating place sales are also expected to decline this year at a rate more than twice that experienced in 1979. NRA predicts eating place sales in real terms to be down 3.7 percent compared to a 1.6 percent drop last year. Sales for restaurants with table service in real dollars will be down 5.3 percent versus a decline of 3.0 percent in 1979. Real sales for restaurants without table service will decline by 2.0 percent compared to a slight increase in the prior year.

The Industry's Future

Some readers may think that our forecast spells economic ruin for some segments of the industry, however, it is best to put these predictions in the proper perspective. The anticipated declines in sales and production for the automotive, steel and construction industries are substantially greater than those for the Foodservice Industry, and each of these industries would like to be facing 1980 with a forecast similar to the one we have presented here. Two other factors are also present which make us believe that 1980 will not be all bad for the Foodservice Industry. In examining industry real growth in other recessions we have found that our industry is a lead indicator. Therefore, the industry experiences some sharper declines before the overall economy and begins pulling out of its slump while the economy is still moving downward. The second factor is that consumers, because of their reduced spending power, will not be purchasing durable goods as during previous years. This may leave consumers with additional income to spend on such things as restaurant meals.

In addition, as has been previously mentioned, demographic and lifestyle trends will benefit the industry during the Eighties. These trends include the increase in one and two person households, the aging of the population, and the fact that increasing demands on leisure time will continue to force consumers to seek out that which is convenient and that which makes life easier.

Future revisions to our 1980 forecast will depend largely on what happens in the economy. Substantial changes in the rate of growth or decline in real disposable personal income or inflation could result in changes to our predictions, and we will report such revisions as they occur in future issues of *Foodservice Trends*. In addition, the National Restaurant Association will present its 1981 sales forecast for the Foodservice Industry later this year.

ROPER REPORTS: DECLINE IN EATING OUT

The Roper Organization in a survey conducted in late March of this year questioned consumers about the activities they had engaged in during the past week. Restaurateurs will be particularly interested in the proportion of respondents who have eaten lunch or dinner at a restaurant in the past seven days.

As shown in the accompanying table, 44 percent of those surveyed said they had eaten lunch in a restaurant in the past week, a considerable drop from the 53 percent response in September of last year. This decline in eating out for lunch was evident among all demographic groups. Decreases of more than ten percentage points were noted for the following: those over 60 years old, those with incomes above $25,000, Westerners, the college educated, white collar workers and one and two person families.

The decline in eating out for dinner was not as sharp as that for lunch. Thirty-one percent of the respondents in the March survey had dinner at a restaurant versus 38 percent in the September poll. As with lunch, this decrease in eating out for the evening meal was evident among all demographic groups. Most noticeable were the declines for those with incomes over $25,000 (50% in March versus 58% last September), the executive-professional group (50% versus 63%), white collar workers (39% versus 51%) and employed females (33% versus 44%).

Things Respondents Have Done in the Last Week

	1980 Mar.	1979 Sept.	1978 Mar.	1977 Mar.
Had lunch at a restaurant or other public eating place	44%	53%	*	49%
Had dinner at a restaurant or other public eating place	31%	38%	51%	36%

*Not Asked

The responses to this question appear to indicate that the overall economic climate is having an adverse effect on the restaurant industry. It also substantiates some of the CREST data which we have reported in previous issues of *Foodservice Trends* and which indicate that consumers are cutting back on their frequency of eating out. Additionally the data reinforce the fact that lunch traffic is more severely affected by these cut backs than is dinner/supper traffic.

Other information from this March Roper survey which will be of interest to restaurant operators deals with what consumers are doing to reduce food expenditures. Four out of ten respondents said they were

Which of These Things, If Any, Have You Been Doing About Expenditures for Food?

	1980 Mar.	1979		1978 Mar.	1977 Mar.	1976 Mar.	1975 Apr.
		Sept.	Mar.				
Buying more of the things on sale, on special	55%	52%	61%	45%	42%	49%	48%
Buying less expensive cuts of meat	50	45	57	36	35	41	36
Using more coupons that offer cents off on various products	45	37	46	31	28	35	*
Buying the store's own brand of things instead of nationally advertised brands	44	41	50	37	30	37	35
Cutting down on nonessentials (snacks, soft drinks, desserts, etc.)	42	38	45	33	30	35	36
Substituting other dishes for meat at some meals	41	34	48	25	23	30	27
Making more use of leftovers	41	34	45	30	28	34	*
Eating out less in restaurants	**40**	**31**	**39**	**28**	**22**	**33**	**29**
Shopping around at different stores to get better prices	34	34	43	29	29	35	34
Buying less frozen foods	25	19	27	19	15	19	17
None of these (vol.)	—	1	1	—	1	1	1
Don't know	1	—	—	—	—	—	1

*Not asked.

eating out less in restaurants, up considerably from 31 percent in September. However, this proportion is nearly equal to that of last March, a time when food prices were escalating. Overall, eating out less ranks eighth out of ten ways listed to cut back on food expenditures. A look at these responses by demographic characteristics shows that those between 30 and 44 years old, those with incomes over $15,000, Westerners, Midwesterners, the college educated, white collar workers and families with children under 13 have cut back more drastically on eating out than the average respondent. This information can be helpful to restaurateurs in understanding why consumers have decreased their frequency of eating out and which demographic groups are most likely to curtail their dining out occasions. Through effective advertising and promotions operators may be able to minimize the adverse effects of these particular consumer trends.

A late February Roper poll questioned the public on whether or not they will be more concerned with the price of gasoline or the availability of gasoline during the next year or two. Forty-eight percent said they would be most concerned about the price of gasoline versus 23 percent who would be more concerned with the availability of gasoline. One fourth said they would be equally concerned with both factors.

In this same February report consumers were asked which of a list of things they had done in the past twenty-four hours. Forty-four percent answered that they had skipped a meal and 2 percent said they had skipped all three meals. By meal occasion, breakfast is the most skipped meal while supper is the least skipped meal. Thirty-two percent of those surveyed said they did not eat breakfast during the previous day compared to only 5 percent who did not eat supper. Twenty-one percent said they had skipped lunch.

THE FOODSERVICE INDUSTRY: 1978

Highlights

- In 1978 real eating place sales rose 2.2 percent.
- Menu prices advanced at a slower pace than grocery store prices, 9.1 percent versus 10.6 percent.
- The proportion of the food dollar spent on meals outside the home rose to 38 percent in 1978, up from 37.5 percent in 1977.
- Commercial Feeding sales reached $79.4 billion, an increase of 10.7 percent from 1977.
- Limited Menu (fast food) restaurants continued to be a prime sales gainer, with an increase in sales of 15.1 percent.
- In-transit (airline) feeding sales were up 16.1 percent in 1978, the result of increased air travel.
- Lodging foodservice sales advanced 12.6 percent, considerably higher than the gain of 8.5 percent in 1977.
- Institutional Feeding sales totaled $14.3 billion in 1978, up 9.1 percent from their 1977 level.
- Employee Feeding sales rose 10.3 percent in 1978, the result of a 4.3 percent increase in blue collar employment and a 4.5 percent increase in white collar employment.
- Military Feeding sales rose to $624 million in 1978, up 9.1 percent from 1977.

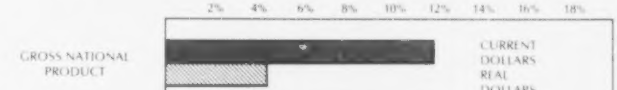
Each year the National Restaurant Association commissions a study to provide the Foodservice Industry, its suppliers and investors with information on the size, scope and growth of the industry. The main purposes of this annual study are to continue to define the extent of the Foodservice Industry and to construct a statistical framework for analysis of the relative importance and growth rates of the different market segments. We define the Foodservice Industry as encompassing all meals, snacks and drinks prepared outside the home, and therefore, include all take out meals and beverages in this definition.

In the following sections of this report we review the economic forces present in 1978 as well as various factors which affected the sales of the many segments of the industry. We have included a brief analysis of the 1978 sales data as well as a comparison with 1977 sales performance. We have used the services of Malcolm Knapp, Inc. in developing the figures for food and drink sales and purchases.

Real Sales Growth Slowed in 1978

An important indicator of the overall health of the Foodservice Industry is the rate of growth of real eating place sales. Eating places account for approximately sixty percent of the industry's sales and include restaurants with table service, limited menu restaurants, cafeterias and caterers. In 1978 sales for eating places in real terms (sales adjusted for inflation) rose only 2.2 percent compared to a more substantial rise in 1977 of 4.3 percent. In addition, real growth in the nation's Gross National Product in 1978 was up 4.5 percent, considerably above real eating place sales growth. As shown in the accompanying chart, real growth for other economic indicators such as nondurable goods expenditures and disposable personal income also outpaced that for eating places.

Percent Changes in Economic Indicators and Foodservice Industry Sales, 1977-78



*Eating places include restaurants, lunchrooms, social caterers, commercial cafeterias, limited menu restaurants and ice cream and frozen custard stands.

SOURCES: *Survey of Current Business*, July 1978, revised data; National Restaurant Association Econometric Model.

The Foodservice Industry was pressed by inflation in 1978, with menu prices rising 9.1 percent compared to a lower rise in overall inflation of 7.7 percent, according to the Consumer Price Index. This compares to menu price rises of 7.6 percent and 6.7 percent in 1977 and

1976 respectively. One of the primary reasons for the rapid advance in restaurant meal prices was the increase in food costs. Wholesale food costs for restaurants, according to NRA's Food Cost Index, rose 11.2 percent in 1978. In 1977, these costs were up only 5.8 percent and in 1976 they declined by 1.5 percent. Beef and veal prices at the wholesale level were up nearly 30 percent in 1978 and were the primary reason for the jump in restaurant food prices.

The consumer in 1978 was faced with a new dilemma—an average check in excess of $2.00. According to CREST data, the average per person check size rose to $2.23 in 1978 up from about $1.90 in the prior year. We feel that consumers were especially conscious of the $2.00 price point, and it took them a while to adjust to a meal at a limited menu restaurant costing more than two dollars.

1978: Menu Prices Rise More Slowly than Grocery Prices

For the first time since 1974, prices for food away from home rose more slowly than prices for food at home. In 1978 menu prices advanced 9.1 percent compared to a 10.6 percent jump in grocery store food prices, according to Consumer Price Index data. Grocery store sales during 1978 were up only 8.6 percent compared to a 10.4 percent gain for the foodservice industry and 11.4 percent for eating places.

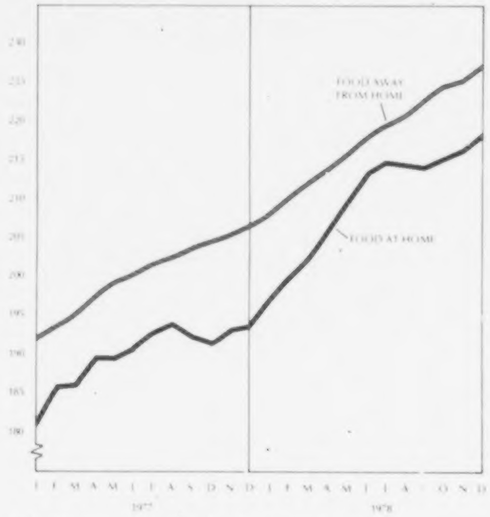
The comparison of real sales growth shows a similar story, with eating places registering a 2.2 percent increase, the industry as a whole up 1.2 percent and grocery store sales down nearly 2.0 percent. For the past three years (1976-1978) consumers have increased their real purchases from foodservice operations at a higher rate than from grocery stores.

The proportion of the food dollar spent away from home continued to rise in 1978. Thirty-eight percent of total food dollars were spent on meals prepared outside the home versus 37.5 percent in 1977, 35.6 percent in 1972 and 33.1 percent in 1970. We believe that if current trends continue, the proportion of the consumer food dollar spent on food away from home will approach 50 percent by 1990.

Commercial Feeding Sales Reach $79.4 Billion

Sales for commercial feeding establishments in 1978 totaled $79.4 billion and accounted for about 85 percent of Foodservice Industry sales. Food and drink sales for this group were up 10.7 percent, similar to 1977's gain but substantially below the gains of about 12 percent in 1975 and 1976. Real sales growth, however, was up only 1.5 percent in 1978 compared to a larger gain of 3.0 percent in 1977 and 4.8 percent in 1976.

Food Away from Home Versus Food at Home, 1977-1978



SOURCE: *Consumer Price Index*, Bureau of Labor Statistics.

Readers can refer to the table on pages 8 and 9 for exact sales figures for each of the segments in the Commercial Group. In addition, we have highlighted some of the important sales gainers in the following paragraphs.

Eating and Drinking Places. This, the largest portion of the Commercial Feeding Group, consists of restaurants, lunchrooms, limited menu (fast food) restaurants, commercial cafeterias, social caterers, ice cream and frozen custard stands, and bars and taverns. Only those establishments with payroll are included in our figures. Sales for non-payroll eating and drinking places in 1978 were $2.0 billion.

Food and drink sales for eating and drinking places were $61.9 billion in 1978, an increase of 10.6 percent from 1977. Since 1975 there has been a slowdown in the rate of sales growth for this segment, partially accountable to slower menu price increases and a slow down in unit expansion. In 1977 eating and drinking place sales advanced 11.1 percent, while in 1976 and 1975 they rose 13.7 percent and 13.3 percent respectively.

Sales for ***eating places*** alone increased by 11.4 percent in 1978, rising from $49.6 billion to $55.2 billion. This represents a slower growth than that experienced in the previous three years of 12.3 percent (1977), 14.9 percent (1976) and 14.8 percent (1975). Real sales growth for eating places is also slowing, with a 2.2 percent gain in 1978 compared to 4.3 percent in 1977 and 6.8 percent in 1976.

Limited menu restaurants, which include most fast food establishments, continue to be a prime sales gainer among eating and drinking places. In 1978 the growth rate was 15.1 percent compared to a larger gain of 17.6 percent in 1977 and 19.7 percent in 1976. The importance of this group continues to grow, and limited menu establishments now account for 39.5 percent of eating place sales and 23.1 percent of all foodservice sales.

Alcoholic Beverage Sales in Eating and Drinking Places, 1978

	Sales ($000)	Percent
Restaurant, Lunchrooms	$ 4,355,254	39.9%
Refreshment places	674,482	6.2
Social Caterers	50,470	0.5
Cafeterias	45,091	0.4
Bars and Taverns	5,790,020	53.0
	$10,915,317	100.0%

Note: Only those establishments with payroll are included. Hotel, motel and motor hotel restaurants had combined alcoholic beverage sales of $1,497,737,000. Alcoholic beverage sales in other establishments totaled approximately $838 million in 1978.

Food Contractors. 1978 was a good year for food contractors. Industrial plant sales were up 11.5 percent with blue collar employment up 4.3 percent and manufacturing employment up 3.5 percent. Contract feeders in office buildings showed gains of 13.0 percent with an increase in white collar employment of 4.5 percent.

Of all food contractors, those serving the airline industry had the largest percentage increase in sales. ***Intransit (airline) feeding*** sales were up 16.1 percent due to deregulation of the airline industry and the intense price competition which followed. The number of domestic and international passengers carried on the nation's airlines rose a substantial 14.6 percent in 1978.

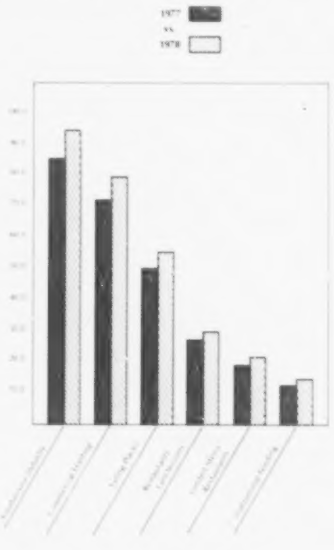
Recreation and sport centers reported a 12.3 percent advance in contractor foodservice sales, down from the 15.1 percent rise in 1977. A much slower gain in attendance at spectator sports (up less than 2 percent over 1977) and a slowing in amusement park expansion caused this slower sales growth.

Contractor sales at ***hospitals and nursing homes*** were up 10.1 percent compared to a substantially smaller increase of 8.9 percent in 1977. Rising wholesale food prices were responsible for 1978's larger gain.

Sales by food contractors in ***primary and secondary schools*** rose 9.2 percent, again due primarily to food cost increases. Enrollment declined in public schools by 2.2 percent and by 0.3 percent in private schools.

Food contractor sales in ***colleges and universities*** were up 8.9 percent in 1978, similar to the rise in 1977. Overall enrollment at all colleges and universities was down less than one percent on a full time equivalent student basis.

Foodservice Industry Sales



Hotel and Motel Restaurants. Hotel restaurants' sales increased 12.6 percent in 1978 considerably above the gain of 8.5 percent in 1977. Increased travel due in part to airline deregulation as well as a 2.0 percent increase in occupancy rates to 70 percent helped boost sales. Food and beverage sales, however, declined slightly in importance to 35.8 percent of hotel receipts from 36.1 percent in 1977.

Retail Hosts. Retail hosts in general showed a weak performance in 1978 compared to most other commercial segments. Sales for retail host foodservice rose only 8.5 percent compared to a 10.7 percent sales gain for the commercial group, due primarily to the fact that consumers were spending less time in retail stores. New merchandising techniques and new concepts which are being developed by retailers to improve their in-store foodservice operations should help improve retail host foodservice sales.

Institutional Feeding Sales Reach $14.3 Billion

Sales for the Institutional Feeding Group rose from $13.1 billion in 1977 to $14.3 billion in 1978, for an increase of 9.1 percent. Institutional feeders account for 15 percent of the food and beverage sales in the Foodservice Industry. Real sales growth for this group re-

The Foodservice Industry
Estimated Food and Drink Sales and Purchases, 1978

No. of Units	Type of Establishment	Estimated Food and Drink Sales (000)		Percent Gain (Loss)	Estimated Food and Drink Purchases (000)	Source
		1977	1978		1978	
GROUP I: COMMERCIAL FEEDING[1]						
	EATING PLACES					
119,847[2]	Restaurants, Lunchrooms	$27,287,568	$29,810,089	9.2	$11,612,400	1, 21, 22, 23
96,836	Limited Menu Restaurants	18,899,388	21,757,488	15.1	7,889,200	1, 21, 22, 23
6,906	Commercial Cafeterias	1,765,628	1,878,804	6.4	712,593	1, 22, 23
3,449	Social Caterers	692,536	720,999	4.1	291,897	1, 22
8,475	Ice Cream, Frozen Custard Stands	919,030	1,071,865	16.6	342,997	1, 21, 22
235,513	TOTAL EATING PLACES	$49,564,150	$55,239,245	11.4	$20.849,087	
41,355[3]	Bars and Taverns	$ 6,421,256	$ 6,678,224	4.0	$ 408,574[4]	1, 22
276,876	TOTAL EATING AND DRINKING PLACES	$55,985,408	$61,917,469[5]	10.6	$21,257,661	
	FOOD CONTRACTORS					
	Manufacturing and Indus. Plants	$ 1,609,817	$ 1,794,624	11.5	$ 836,295	1, 19, 27
	Commercial and Office Bldgs.	421,995	476,770	13.0	222,175	1, 27
	Hospitals and Nursing Homes	615,717	678,151	10.1	271,260	13
	Colleges and Universities	822,745	895,969	8.9	317,173	2, 4
	Primary and Secondary Schools	482,371	526,749	9.2	247,572	3
	In-Transit Feeding (Airlines)	341,069	395,872	16.1	190,015[7]	9
	Recreation and Sports Centers	695,045	780,883	12.3	288,927	1, 23, 24, 29
7,836[6]	TOTAL FOOD CONTRACTORS	$ 4,988,759	$ 5,549,018	11.2	$ 2.373,417	
	LODGING PLACES					
13,545	Hotel Restaurants	$ 2,679,949	$ 3,016,585	12.6	$ 1,053,347	1, 23, 25, 26
2,559	Motor Hotel Restaurants	657,219	742,397	13.0	258,607	1, 23, 25, 26
13,651	Motel Restaurants	1,479,530	1,653,060	11.7	600,706	1, 26
29,755	TOTAL LODGING PLACES	$ 4,816,698	$ 5,412,042	12.4	$ 1,912,660	
	RETAIL HOSTS					
9,323	Drug and Prop. Store Restaurants	$ 523,058	$ 558,940	6.9	$ 212,397	1
1,269	Gen. Merchandise Store Restaurants	41,484	45,056	8.6	17,121	1
3,882	Department Store Restaurants	862,649	938,734	8.8	375,494	1, 30
6,509	Variety Store Restaurants	574,385	622,863	8.4	242,916	1
3,299	Food Stores Ex. Grocery	167,606	189,160	12.9	64,314	1
12,579	Grocery Stores Restaurants	397,344	439,780	10.7	162,719	1
7,738	Gasoline Service Stations	187,912	197,232	5.0	72,976	1
3,622	Misc. Retailers (Liquor, Cigar, Etc.)[8]	133,295	141,546	6.2	51,664	1
48,221	TOTAL RETAIL HOSTS	$ 2,887,733	$ 3,133,311	8.5	$ 1,199,601	
	RECREATION AND SPORTS					
3,384	Drive-In Movies	$ 128,197	$ 146,875	14.6	$ 48,469	1
3,866	Bowling Lanes	364,740	410,843	12.6	168,446	1
N/A	Recreation and Sports Centers	511,676	569,649	11.3	210,770	1, 24, 29
7,250	TOTAL RECREATION AND SPORTS	$ 1,004,613	$ 1,127,367	12.2	$ 427,685	
	ALL OTHER					
2,750	Vending and Non-store Retailers[9]	$ 1,683,460	$ 1,841,503	9.4	$ 626,111	1, 19
N/A	Mobile Caterers	333,410	383,755	15.7	135,014	1, 2
2,750	TOTAL ALL OTHER	$ 2,016,870	$ 2,227,258	10.4	$ 761,125	
372,688	**TOTAL GROUP I**	**$71,700,081**	**$79,366,465**	**10.7**	**$27,932,149**	
GROUP II: INSTITUTIONAL FEEDING—BUSINESS, EDUCATIONAL, GOVERNMENT OR INSTITUTIONAL ORGANIZATIONS WHICH OPERATE THEIR OWN FOOD SERVICE						
	EMPLOYEE FEEDING					
4,000	Industrial and Commercial Organizations	$ 1,053,134	$ 1,166,662	10.8	$ 570,544	20, 27

(Footnotes appear on page 10)

No. of Units	Type of Establishment	Estimated Food and Drink Sales (000)		Percent Gain (000)	Estimated Food and Drink Purchases (000) 1978	Source
		1977	1978			
554	Sea-going Ships (1,000 + tons)	45,710	47,957	4.9	28,774	6
4,248	Inland Waterway Vessels	146,452	158,850	8.5	96,498	7
8,802	TOTAL EMPLOYEE FEEDING	$ 1,245,296	$ 1,373,469	10.3	$ 695,816	
	EDUCATIONAL FEEDING					
94,738	Public and Parochial Elementary and Secondary Schools (93,097 National School Lunch Program)[10]	$ 1,793,269	$ 1,938,524	8.1	$ 2,675,905	3
994	Public Colleges and Universities[11]	1,214,471	1,310,242	7.9	642,163	3
1,455	Private Colleges and Universities[11]	493,906	541,815	9.7	309,620	2, 4 2, 4
97,187	TOTAL EDUCATIONAL FEEDING	$ 3,501,646	$ 3,790,581	8.2	$ 3,627,688	
	TRANSPORTATION					
62	Passenger/Cargo Liners	$ 79,029	$ 88,832	12.4	$ 48,858	8
34	Airlines	316,162	366,976	16.1	182,799	9
2	Railroads	26,444	25,109	(5.0)	17,557	10
98	TOTAL TRANSPORTATION	$ 421,635	$ 480,917	14.1	$ 249,214	
	HOSPITAL FEEDING					
4,092	Voluntary and Proprietary Hospitals	$ 3,507,795	$ 3,838,090	9.4	$ 1,535,236	13
1,843	State and Local Short-term Hospitals[12]	526,040	583,546	10.9	412,722	13
710	Long-term General, TB, Nervous and Mental Hospitals	743,938	752,040	1.1	300,816	13
370	Federal Hospitals[12]	234,284	262,944	12.2	217,561	13
7,015	TOTAL HOSPITAL FEEDING	$ 5,012,057	$ 5,436,620	8.5	$ 2,466,335	
26,138	Nursing Homes, Homes for Aged, Blind, Orphans, Mentally and Physically Handicapped[11]	$ 1,787,712	$ 1,990,080	11.3	$ 1,278,150	14
	MISCELLANEOUS					
10,310	Clubs	$ 800,727	$ 860,301	7.4	$ 414,200	5
3,165	Sporting and Recreational Camps	94,620	99,824	5.5	59,906	1, 11
16,010	Community Centers	257,830	286,364	11.1	337,905	12
N/A	Convents and Seminaries	***	***	**	114,512	17
29,485	TOTAL MISCELLANEOUS	$ 1,153,177	$ 1,246,489	8.1	$ 926,523	
	PENAL INSTITUTIONS					
620	Federal and State Prisons	***	***	**	$ 205,882	15
3,921	Jails	***	***	**	161,110	16
4,541	TOTAL PENAL INSTITUTIONS	***	***	**	$ 336,992	
173,266	**TOTAL GROUP II**	**$13,121,523**	**$14,318,156**	**9.1**	**$ 9,610,718**	
	TOTAL GROUPS I AND II	**$84,821,604**	**$93,684,621**	**10.4**	**$37,542,867**	
	Food Furnished Food Service Employees in Groups I and II	***	***	**	$ 2,711,149	18
545,954	TOTAL GROUPS I AND II AND FSE	$84,821,604	$93,684,621	10.4	$40,254,016	
GROUP III:	**MILITARY FEEDING**					
N/A	Defense Personnel	$ ***	$ ***	**	$ 1,409,037	18
N/A	Officers and NCO Clubs ("Open Mess")[14]	371,072	403,414	8.7	143,583	28
N/A	Food Service—Military Exchanges[14]	201,169	221,000	9.8	97,238	28
	TOTAL GROUP III	**$ 572,241**	**$ 624,414**	**9.1**	**$ 1,649,858**	
545,954	**GRAND TOTAL**	**$85,393,845**	**$94,309,035**	**10.4**	**$41,903,874**	

FOOTNOTES TO TABLE ON PAGES 8 AND 9

1. Data are given only for establishments with payroll.
2. Figures are latest Census Area Reports or Merchandise Line detail counts or updates when reliable data become available.
3. Unit count includes only those establishments serving food; however, sales figure is for all bars and taverns with payroll.
4. Food only. Cost of alcoholic beverages totaled $2,026,507.
5. Food and drink sales for nonpayroll establishments totaled $1,960,863 with eating places accounting for $1,192,885 and drinking places $767,978.
6. Individual businesses, not locations. Contract feeders are included in eating place totals in all Bureau of the Census publications although their sales volume figures for contract feeders are significantly understated.
7. Food purchases only.
8. Includes SIC 59, except 591 and 596.
9. Includes sales of hot foods, sandwiches, pastries, coffee and other hot beverages.
10. School lunch program commodities furnished in the calendar year 1978 under Secs. 6,32,416, are worth $633,383,000. In addition, 1,950,400,000 half pints of milk worth $141,967,000 were supplied to 90,635 outlets.
11. Total number of colleges and universities which have foodservice whether contracted or not.
12. Represents sales or commercial equivalent to employees.
13. Sales (commercial equivalent) calculated for Nursing Homes and Homes for Aged only. All others in the grouping make no charge for food served either in cash or in kind.
14. Continental U.S. only.

***These institutions make no charge for food served either in cash or kind.

mained flat i.e., increases in costs equaled sales increases. In addition, growth in the populations served by institutions has declined, and it is likely, therefore, that institutional foodservice will continue to decline in relative importance while the commercial sector continues to gain.

The accompanying table on pages 8 and 9 and the following narrative highlight sales for the Institutional Feeding Group.

- Total employee feeding was up 10.3 percent in 1978. The largest gain occurred within the industrial and commercial foodservice segment where sales rose 10.8 percent, due to an increase in blue collar employment of 4.3 percent and an increase of 4.5 percent in white collar employment.
- Foodservice sales at public and parochial schools rose 8.1 percent compared to a substantially lower advance of 3.4 percent in 1977. Higher wholesale food costs and a 1.3 percent increase in school lunches were responsible for this larger sales gain. (We consider the value of the sale to be the actual cash payment made by the student. The difference between what a student pays and the cost of the meal is borne by state, local and federal governments.)
- Public colleges food and drink sales were up 7.9 percent versus a larger 9.7 percent increase at private colleges. A decline in enrollment in public colleges and an increase in private colleges caused this situation.
- Within the transportation segment, airline foodservice sales outpaced those for railroads and cruise ships. Airline foodservice sales rose 16.1 percent due to stimulated interest in air travel brought on by lower fares.
- Foodservice sales at nursing homes rose 11.3 percent in 1978. The slowdown in construction of nursing homes continues and could cause slower sales growth in the future.

Military Feeding Shows Modest Sales Gains

We have revised our figures on military feeding for troops to reflect new data which indicate that local purchases made under master contracts from the Defense Supply Agency in Philadelphia are more important than previously indicated. The sales of military feeding totaled $624 million in 1978, up 9.1 percent from 1977.

Both the clubs, with a gain of 8.7 percent, and the post exchanges, with a gain of 9.8 percent, showed vast improvement over 1977's performance of a 1.9 percent rise and a 4.7 percent loss. Although military personnel decline by one percent, military foodservice operations were able to post substantial sales gains due to the increased emphasis placed on these operations.

Notes Concerning NRA's 1978 Sales Figures

Sales data for many of the commercial segments of the Foodservice Industry are based on the *1977 Census of Retail Trade*. Exceptions to this are sales for hotels, motor hotels, motels, camps and clubs. We expect to have more detailed data available on these segments by late August. In addition, we also expect to have the merchandise line analysis of the *1977 Census of Retail Trade* in August which will provide us with the proportion of eating and drinking sales to total sales for eating and drinking places, retail hosts and other non-store retailers. Based on this data we will be making some revisions to our 1978 sales estimates, and we will publish these revisions in *Foodservice Trends*.

We define a restaurant or lunchroom as an establishment which has waiter or waitress service while the patron is seated. A refreshment place or limited menu restaurant, on the other hand, is an establishment that does not provide waiter or waitress service. For other definitions on the segments of the industry readers can refer to the December issue of *Foodservice Trends*.

Other points to be borne in mind are:

- Data presented in this report are national in scope and do not show regional variations which can be substantial.
- Individual firms can and do significantly deviate from the average percent changes.
- Percent changes shown in this report cover only two years and are not necessarily indicative of long term trends.

Methodology and Sources

The figures in this study were obtained through published sources, from trade associations, by inference through interrelating various government data (both published and unpublished), by discussions with foodservice executives in many segments of the industry, and by personal judgment. As a method of attack, whenever possible, several approaches and sources were used for the industry segment under examination to triangulate a set of answers in close agreement with each other. This has proved particularly useful where data are "soft." Source materials used in making our estimates are listed below.

For the Commercial Feeding Group sales figures were determined first and then food and drink purchases were calculated from the sales figures on the basis of food and beverage costs as a percent of sales. In the Institutional Feeding Group, purchases were calculated from a cost per meal times the number of meals consumed in the particular segment. Sales are a multiple of food and beverage costs. Where a direct charge for food is not made, such as in the proprietary hospital, sales were calculated as a percent of operations.

There are some exceptions, however. For airlines, estimated sales were taken to mean estimated purchases from a contractor or the imputed cost of foodservice operations by the airline. The sales figures do not include the cost of serving meals or beverages. In some cases, we do not consider sales as having taken place at all; for example, feeding of patients in federal hospitals which do not charge for service to veterans.

SOURCES:

1. U.S. Bureau of the Census: Census of Business; *1972 Census of Retail Trade, Merchandise Line Sales; Sales Size; Miscellaneous Subjects; 1972 Selected Services; Hotels, Motels, Trailering Parks and Camps; 1977 Census of Retail Trade, Sales Size. Current Retail Trade Reports, Monthly Selected Services Receipts, Series BS.*
2. Industry sources.
3. Based on data from U.S. Department of Agriculture, Food and Nutrition Service and HEW, Office of Education "Fall 1978 Statistics of Public Schools;" HEW *Digest of Educational Statistics, 1977, 1978.* National Catholic Education Assn/Granley's 1977 and 1978, *Catholic Schools in America; Current Population Reports,* Series P-20, Nos. 222, 303, 319, 321.
4. Estimated: Based on *College and University Business,* December 1970; HEW *Digest of Educational Statistics, 1977, 1978;* HEW *advanced 1979 data;* Bureau of the Census *Current Population Report, Series P-20,* No. 245 "Living Arrangements of College Students," October 1971; HEW National Center for Educational Statistics unpublished data.
5. Estimated: Based on U.S. Department of Commerce, Office of Business Economics *Survey of Current Business,* July 1979; "Personal Consumption Expenditures;" *Clubs in Town and Country 1979,* Harris, Kerr, Forester.
6. Estimated: Based on data supplied by U.S. Maritime Commission, Immigration and Naturalization Service; *Statistical Abstract of the United States 1979,* Tables 1164 and 1167.
7. Estimated: Based on data supplied by American Waterways Operators, Inc.; individual companies; *Statistical Abstract of the United States, 1979* "Waterborne Commerce of the U.S.," Table No. 1151.
8. Estimated: Based on data supplied by the U.S. Maritime Commission, Immigration and Naturalization Service and individual passenger lines; *Statistical Abstract of the United States, 1979, Table No. 1164.*
9. *Estimated: Based on data supplied by Air Transport Association, Air Transport World;* individual companies; CAB Form 41 and Merrill, Lynch, Pierce, Fenner & Smith air transport analyst.
10. Estimated: Based on data supplied by the Association of American Railroads and Amtrak Corporation.
11. Estimated: Based on data from the American Camping Association and individual companies.
12. Estimated: Based on information from YMCA Statistical Division, U.S. Department of Agriculture, Food and Nutrition Service and industry sources.
13. Estimated: Based on data from the American Hospital Association, *Hospital Statistics 1979;* "HAS Six Month National Comparison period ending June 30, 1977; June 30, 1978, December 1977 and December 1978," American Hospital Association; Veterans Administration and individual companies.
14. Estimated: Based on data from the National Center for Health Statistics; *1970 Census of Population;* American Hospital Association; *NIH Master Facilities Inventory 1976,* unpublished data.
15. Estimated: Based on information from the Bureau of Prisons, Department of Justice, "Prisoners in State & Federal Institutions," Bulletin SD-NPS-PSF 1 & 2; *Corrections Magazine.*
16. Estimated: Based on Department of Justice, Law Enforcement Assistance Administration, "1972 National Jail Census," Table No. 330, '1972 Survey of Inmates of Local Jails," Advance Report, and unpublished data.
17. Estimated: Based on information from the Office Catholic Directory, P. J. Kenedy & Sons, interviews with suppliers.
18. Defense Personnel Support Center, Philadelphia unpublished data; *Survey of Current Business,* July 1979.
19. Estimated: Based on *Vending Times,* "Survey of the Industry," June 1978 and June 1979.
20. Industry sources.
21. *Franchising in the Economy,* 1978-80, Bureau of Domestic Commerce, U.S. Department of Commerce.
22. *Wholesale Price Index; Consumer Price Index;* Bureau of Labor Statistics, U.S. Department of Labor.
23. Company annual reports.
24. Estimated: Based on *Statistical Abstract of the United States, 1979,* Table Nos. 406, 407, 402, and 397; *Survey of Current Business,* July 1979.
25. Estimated: Based on Laventhol & Horwath, *Lodging Industry 1979; Trends in the Hotel-Motel Business, 1979,* Harris, Kerr, Forester.
26. American Hotel & Motel Association *Construction & Modernization Report.*
27. Estimated: Based on *Employment and Earnings,* Bureau of Labor Statistics, "Nonagricultural Establishment Employees," "Employed Persons by Major Occupation Group and Sex, 1960-1979."
28. Army Times Publishing Company.
29. *AudArena Stadium,* 1979.
30. *Department and Specialty Store Merchandising and Operating Results of 1978,* National Retail Merchants Association.

Wholesale Price Index

COMMODITY	1978-1979	Percent Change Apr. 79-Apr. 80	4 Mos. 79-4 Mos. 80	Mar. 80-Apr. 80
Bakery Products	10.0%	12.5%	12.6%	0.2%
Flour & Cereal	12.4%	15.4%	17.9%	(0.4%)
Beef & Veal	24.7%	(7.2%)	2.1%	(3.9%)
Other Meats	(2.8%)	(19.4%)	(16.9%)	(9.4%)
Pork	(6.4%)	(23.1%)	(20.9%)	(10.8%)
Lamb	5.9%	(16.2%)	(6.1%)	(12.5%)
Poultry & Eggs	0.7%	(17.6%)	(12.5%)	(8.6%)
Poultry	(2.8%)	(17.7%)	(12.8%)	(5.2%)
Eggs	11.3%	(17.4%)	(11.8%)	(16.8%)
Fish & Shellfish	22.6%	2.2%	7.6%	(3.6%)
Sugar & Sweets	6.9%	24.4%	19.7%	3.8%
Sugar	8.3%	31.7%	28.2%	4.2%
Vegetables	2.0%	(2.4%)	(10.4%)	5.8%
Fresh Vegetables	0.5%	(5.8%)	(17.0%)	8.3%
Fruits & Juices	8.7%	1.6%	5.5%	(1.5%)
Fresh Fruit	5.8%	(4.5%)	5.2%	(3.3%)
Beverages	0.8%	17.9%	16.7%	0.4%
Dairy Products	12.1%	10.0%	9.2%	2.0%
Fats & Oils	6.4%	3.9%	6.9%	(1.2%)
NRA Food Cost Index	12.2%	(0.1%)	2.9%	(1.9%)
All Food, Producer Price Index[1]	9.5%	1.8%	2.8%	(1.3%)

[1] Includes all processed foods (except soft drinks, alcoholic beverages and animal feeds) plus eggs and fresh and dried fruits and vegetables.

SOURCES: *Producer Price Index*, Bureau of Labor Statistics; National Restaurant Association.

Industry Index

RETAIL SALES (000,000)	April 1980	Percent Change vs. Year Ago	Year to Date Sales 1980	Percent Change vs. Year Ago
All Retailers	$74,531	+ 5.3%	$288,208	+ 8.4%
Eating & Drinking Places	$ 6,484	+ 5.8%	$ 24,804	+ 8.2%
Food Stores	$16,884	+13.7%	$ 66,503	+11.9%

(Source: Bureau of Census, unadjusted data. Subject to revision.)

CONSUMER PRICES (April)	Percent Change vs. Year Ago	Percent Change 1980 to Date vs. Year Ago
Food at Home	+ 5.9%	+ 6.4%
Food Away from Home	+10.3%	+10.7%
All Items Less Food	+16.3%	+15.8%

(Source: Bureau of Labor Statistics.)

EATING PLACE INDICATORS (000,000)	March 1980	Percent Change vs. Year Ago	Year to Date Sales	Percent Change vs. Year Ago
Eating Place Sales	$5,678	+1.9%	$16,170	+8.2%

	Percent Change vs. Year Ago	Percent Change Year to Date vs. Year Ago
Real Eating Place Sales (March)	−8.7%	−1.6%

(Sources: Bureau of Census, Bureau of Labor Statistics, NRA calculations. Subject to revision.)

EMPLOYMENT AND EARNINGS	Feb. 1980	Percent Change vs. Year Ago
Total Employment	4,505,400	+7.1%
Nonsupervisory Employment	4,145,300	+7.2%
Nonsupervisory Average Hourly Earnings	$3.64	+6.4%
Average Weekly Hours	25.5	−1.2%

(Source: Bureau of Labor Statistics.)

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FOODSERVICE TRENDS

Volume 2, Number 6
July, 1980

analysis and interpretation
- the industry
- the market
- consumer behavior and attitudes

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RISING UNEMPLOYMENT AFFECTING ALL REGIONS

Recent unemployment figures released by the Bureau of Labor Statistics indicate that the impact of the recession is spreading through the economy. Mounting layoffs and a rise in the number of persons entering the work force have combined to push up the nation's unemployment rate to 7.8 percent in May from 7.0 percent in April. This is the highest jobless rate since November 1976 when it stood at a slightly larger 8.0 percent.

The number of unemployed persons has been climbing at a rapid pace during the past two months. Between April and May the unemployment rate jumped by 0.8 percentage points, identical to the advance between March and April. This is the largest two month increase in the unemployment rate according to the Bureau of Labor Statistics. The previous two month high was a 1.4 percentage point rise at the end of 1974, the nation's previous recessionary year. *(The June unemployment figure, released on July 3rd, stood at 7.7 percent, a slight improvement over May's 7.8 percent rate. However, Labor Department officials believe that this decline is only temporary and that the jobless rate will rise once again in July.)*

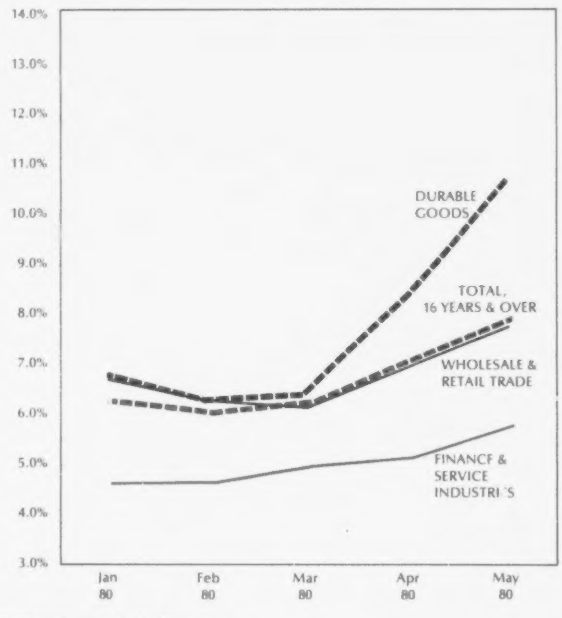
The increase in the number of persons not working can have an adverse affect on the Foodservice Industry. As the number of jobless rises, household income may be restricted, and families find that they must cut back on some luxuries such as dining out. Two factors, however, help to minimize the affect of rising unemployment on our Industry. Because many families now have two or more earners, the family still has the cushion of another salary to fall back on despite the fact that one person is no longer working. In addition, the vast majority of those who are unemployed receive unemployment compensation and therefore do not suffer a complete loss of wages.

Unemployment Begins To Impact All Sectors of the Economy

The major employment impact of the recession has been in the construction industry and in durable goods manufacturing industries such as automobiles and steel. The unemployment rate for automobile workers in May was 29 percent compared to only 4 percent a year ago, and construction unemployment hit 17.5 percent, up from 10.8 percent in January.

Jobless rates, however, are also beginning to climb in other industries as shown in the accompanying chart. Transportation and public utility workers posted unemployment rates of 5.1 percent in May versus 4.6 percent in April. The jobless rate for the wholesale and retail trade sector climbed to 7.6 percent from 7.0 percent, and that for the finance and services sectors advanced from April's 5.1 percent to 5.7 percent in May.

**Unemployment Rates
Jan.-May, 1980**



SOURCE: Bureau of Labor Statistics

UNEMPLOYMENT RATES BY STATE, 1975-1980

	ANNUAL AVERAGES 1975	1978	1979	April 1979	April 1980
NEW ENGLAND					
Maine	10.3	6.1	6.9	7.4	8.2
New Hampshire	9.1	3.8	3.1	2.9	4.0
Vermont	9.4	5.7	5.0	5.7	5.7
Massachusetts	11.2	6.1	5.6	5.3	5.0
Rhode Island	10.9	6.6	6.3	6.7	7.2
Connecticut	9.1	5.2	5.0	5.2	4.9
MIDDLE ATLANTIC					
New York	9.5	7.7	7.1	6.7	6.9
New Jersey	10.2	7.2	6.9	5.7	6.2
Pennsylvania	8.3	6.9	6.9	6.2	7.3
SOUTH ATLANTIC					
Delaware	9.8	7.6	7.8	7.8	7.5
Maryland	6.9	5.6	5.9	5.4	6.0
District of Columbia	7.6	8.5	7.4	7.3	6.0
Virginia	6.4	5.4	4.8	4.4	4.5
West Virginia	8.6	6.3	6.8	6.6	9.4
North Carolina	8.6	4.3	4.7	4.5	5.5
South Carolina	8.7	5.7	5.0	4.7	5.9
Georgia	8.6	5.7	5.2	4.8	5.7
Florida	10.7	6.6	6.0	5.3	4.8
EAST SOUTH CENTRAL					
Kentucky	7.3	5.2	5.7	5.1	6.2
Tennessee	8.3	5.8	6.0	5.2	6.4
Alabama	7.7	6.3	7.1	6.6	7.5
Mississippi	8.2	7.1	5.9	5.3	6.4
WEST SOUTH CENTRAL					
Arkansas	9.5	6.3	6.6	6.1	6.2
Louisiana	7.4	7.0	6.5	6.5	6.9
Oklahoma	7.2	3.9	3.5	3.5	3.7
Texas	5.6	4.8	4.2	3.9	4.8
EAST NORTH CENTRAL					
Ohio	9.1	5.4	5.9	5.5	7.3
Indiana	8.6	5.7	6.4	6.1	9.1
Illinois	7.1	6.1	5.5	5.2	7.0
Michigan	12.5	6.9	7.8	8.6	12.4
Wisconsin	6.9	5.1	4.4	4.8	6.4
WEST NORTH CENTRAL					
Minnesota	5.9	3.8	3.9	4.6	N.A.
Iowa	4.2	4.0	4.0	4.4	5.5
Missouri	6.9	5.0	4.6	4.2	6.0
North Dakota	3.7	4.6	3.8	4.3	4.6
South Dakota	3.7	3.1	3.4	3.9	3.6
Nebraska	3.9	2.9	3.2	2.7	3.4
Kansas	4.6	3.1	3.3	3.0	4.3
MOUNTAIN					
Montana	6.3	6.0	5.2	5.6	6.6
Idaho	6.2	5.7	5.8	6.2	8.3
Wyoming	4.2	3.3	2.8	2.6	3.6
Colorado	6.9	5.5	4.8	4.9	4.1
New Mexico	10.0	5.8	6.5	6.2	7.0
Arizona	12.1	6.1	5.2	4.6	5.8
Utah	6.8	3.8	4.2	4.2	5.1
Nevada	9.7	4.4	5.0	4.9	5.1
PACIFIC					
Washington	9.5	6.8	6.7	6.8	7.9
Oregon	10.6	6.0	7.0	7.1	8.0
California	9.9	7.1	6.2	6.2	7.0
Alaska	6.7	11.2	9.1	9.9	10.9
Hawaii	8.2	7.7	6.4	6.3	4.2
TOTAL U.S.	8.5	6.0	5.8	5.8	7.0

SOURCE: Bureau of Labor Statistics

Teenage Unemployment Rate Reaches 19.2%

Teenagers continued to suffer most from unemployment, with 19.2 percent of those 16 to 19 years old unable to find work compared to 16.2 percent in April. The jobless rate for adult males rose substantially from 5.9 percent in April to 6.6 percent in the most recent month, and the rate for adult females advanced 0.3 percentage points during the one month period to a similar 6.6 percent rate.

Most government and private industry economists expect unemployment to continue to rise during the remainder of the year. Chase Econometrics in its June 20th forecast predicts that the unemployment rate will reach 8.2 percent in the third quarter and 8.7 percent in the fourth quarter. Carter Administration officials also expect the jobless rate to rise above 8.0 percent before the end of the year.

Most States Report Higher Unemployment in April

The Bureau of Labor Statistics (BLS) publishes annual and monthly data on unemployment for all fifty states plus the District of Columbia. We have summarized this state information for 1975, 1978 and 1979 as well as for April 1979 and April 1980 in the table on page 2. We have shown 1975 data to give readers an indication of state unemployment figures in the last recession and to compare this with what is occurring during the 1980 recession.

Rising unemployment is now affecting all regions of the country, although the extent of its impact varies. In the North Central Regions, where the automobile manufacturing and supply industries are located, eight of the twelve states experienced jobless rate increases of 1.0 percentage points or more between April 1979 and April 1980. Agricultural states such as North and South Dakota and Nebraska, on the other hand, showed declines in unemployment in April 1980 compared to the same month last year.

In the West, six states— Alaska, Arizona, Idaho, Montana, Washington and Wyoming—had unemployment rates in April at least one percent higher than last year. The Labor Department attributes this situation to the fact that employment growth in these states has slowed while at the same time the labor force continues to grow.

Six of the sixteen states located in the Southern regions had jobless rate increases of 1.0 percentage points or more, including Kentucky, West Virginia, Tennessee, Mississippi, North Carolina and South Carolina. Employment declines in transportation equipment and related sectors affected most of these states. In West Virginia reductions in employment in the mining and construction industries contributed to the rise in unemployment, while in South Carolina, the reduced employment in the lumber, textiles and apparel industries resulted in higher unemployment.

Only two of the states located in the Northeastern part of the country—Pennsylvania and New Hampshire—experienced a jump of 1.0 percentage points or more in their jobless rate. Labor Department analysis indicates that reduced employment in all industry sectors except services and government caused the increase in unemployment for these two states.

Michigan's Unemployment Rate Reaches New High

Preliminary unemployment data from May for ten of the largest states (California, Florida, Illinois, Massachusetts, Michigan, New Jersey, New York, Ohio, Pennsylvania and Texas) show that states which are highly dependent on durable goods manufacturing continue to experience sharp increases in their unemployment rates.

Michigan's unemployment rate jumped from 12.4 percent in April to 14.0 percent in May, the highest rate ever for the state. The concentration of auto industry jobs in Michigan is the cause of the state's high jobless rate. In Ohio the percentage of those looking for work and unable to find it increased from 6.3 percent to 8.7 percent and in New Jersey it rose from 6.2 percent to 8.1 percent.

States which are more dependent on finance and services employment, however, do not appear to be as hard hit by rising unemployment at this time. Between April and May the jobless rate in California fell from 7.0 percent to 6.6 percent, while in states such as Florida and Texas the rate rose by less than 0.5 percentage points.

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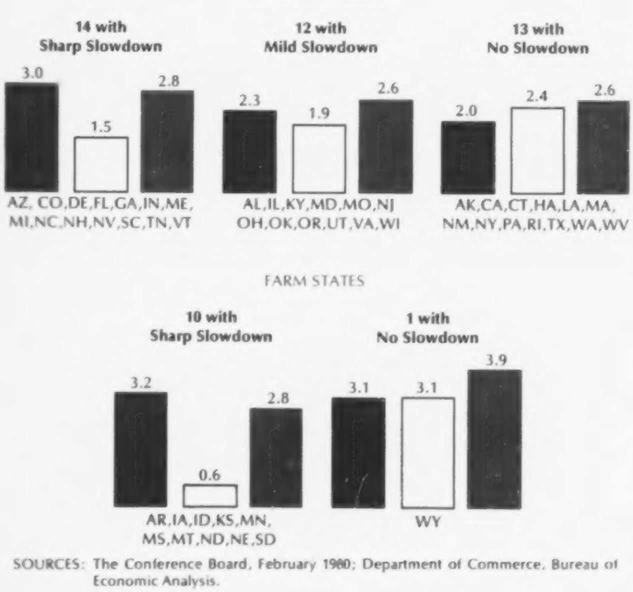
SLOWER RISE IN PERSONAL INCOME SHOWN IN FIRST QUARTER

Personal income gains in this year's first quarter have not been large enough to offset inflation. In the first three months of 1980 personal income has grown at an annual rate of 14 percent, while inflation, as measured by the Consumer Price Index, has soared at an 18 percent annual rate. (The annual rate of inflation conservatively measured by the deflator for personal consumption expenditures also outpaced personal income gains, 15 percent versus 14 percent.) An analysis of month-to-month increases in personal income shows that gains have begun to slow. Between December and January, personal income, measured at an annual rate, rose 0.9 percent, and between February and March it advanced only 0.7 percent. Preliminary personal income data for April indicate that it remained virtually unchanged between March and April.

Information on the growth of personal income is important to the restaurant industry since it can be useful in determining restaurant sales trends. Consumers, faced with substantially higher costs for housing and energy, have found that their dollars do not buy as much as they used to and have had to cut back on certain expenditures. According to a recent Roper survey (see June *Foodservice Trends*), one of the areas receiving sharp cut backs by the public is eating out. The same situation was also evident in the 1974 recession. However, we believe that as inflation moderates during the coming months, personal income gains in current and real terms should improve and should help to boost restaurant sales slightly.

Growth of Total Personal Income Before, During and After 1974-75 Recession (Average Percent Change Per Quarter)



SOURCES: The Conference Board, February 1980; Department of Commerce, Bureau of Economic Analysis.

South and West Post Largest Income Gains

This year's first quarter gains over last year's first quarter were smaller than the gains from March 1979 to March 1980 in most regions of the country, an indication that personal income growth is experiencing a broad-based slowdown. The East North Central Region, because of its heavy dependence on automobile manufacturing, is the region experiencing the slowest growth. The Southern and Mountain regions, on the other hand, continue to post most substantial gains because of their greater reliance on service and wholesale and retail trade industries.

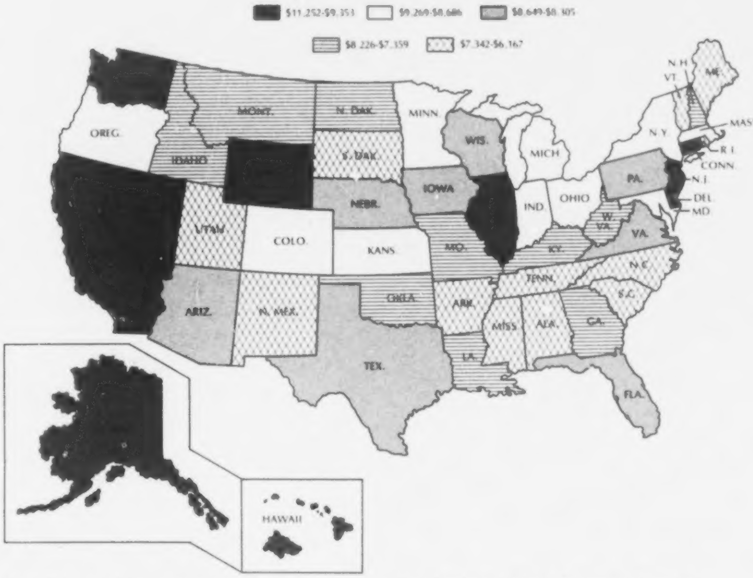
The importance of manufacturing in a state's economy plays a large role in determining its vulnerability to the business cycle. However, the 1974 recession coincided with a slump in farm income, causing most of the farm states to also experience economic slumps. A similar situation is developing during this recession. Personal income gains are smaller and unemployment is higher in the manufacturing states such as Michigan, Ohio and New Jersey. In addition, the Department of Agriculture expects net farm income in 1980 to be in the $21 to $26 billion range, down substantially from 1979's high of $33 billion. The accompanying chart will give readers an indication of trends in personal income for the 50 states, before, during and after the last recession and may help readers to determine trends in their particular states and regions for the 1980 recession.

Per Capita Income Gains Highest in the South

During the past ten years per capita personal income has made the largest gains in the Southern and Mountain states. Per capita income in the West South Central states rose at an average annual rate of 10.3 percent between 1969 and 1979, 9.9 percent in the East South Central Region and 9.7 percent in the Mountain Region. In comparison, the average annual per capita income increase in the Middle Atlantic states was only 8.2 percent, and 8.3 percent in the New England States. The map on the following page gives an indication of the average annual percent growth in per capita income for the fifty states between 1969 and 1979.

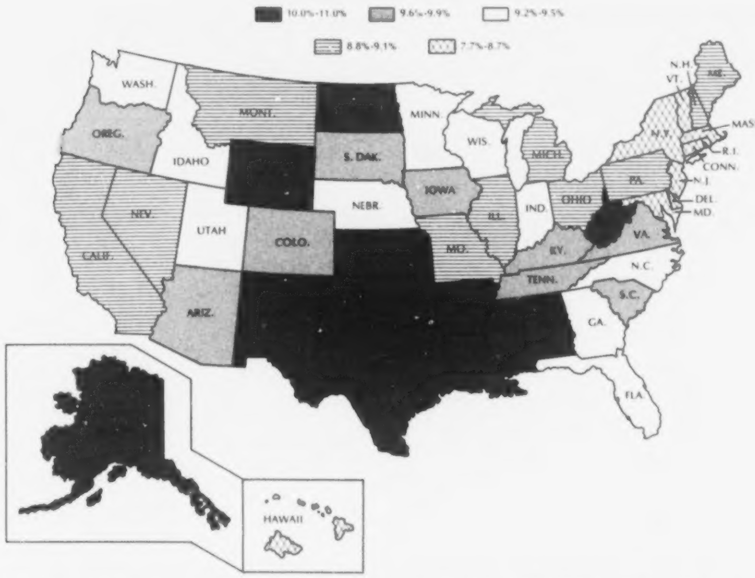
Although per capita personal income has been rising fastest in the South and West, the states with the largest dollar per capita income are located primarily in the Northeast and Midwest as well as in the Far West. The state with the largest per capita income is Alaska ($11,252), followed by Nevada ($10,204), Connecticut ($9,959), California ($9,913) and Illinois ($9,823). Mississippi has the lowest per capita income. ($6,167), followed by Arkansas ($6,785) and Alabama ($6,976).

Per Capita Personal Income in 1979
(Quantities of States)


$11,252-$9,353
$9,269-$8,686
$8,649-$8,305
$8,226-$7,359
$7,342-$6,167
OREG.
MONT.
N. DAK.
MINN.
IDAHO
S. DAK.
WIS.
MICH.
N.Y.
N.H.
VT.
ME.
MASS.
R.I.
CONN.
N.J.
DEL.
MD.
PA.
IOWA
NEBR.
IND.
OHIO
W. VA.
VA.
UTAH
COLO.
KANS.
MO.
KY.
N.C.
TENN.
S.C.
ARIZ.
N. MEX.
OKLA.
ARK.
MISS.
ALA.
GA.
TEX.
LA.
FLA.
HAWAII

SOURCES: U.S. Department of Commerce, Bureau of Economic Analysis; National Restaurant Association.

Average Annual Percent Growth of Per Capita Income, 1969-79
(Quantities of States)


10.0%-11.0%
9.6%-9.9%
9.2%-9.5%
8.8%-9.1%
7.7%-8.7%
WASH.
MONT.
MINN.
OREG.
IDAHO
S. DAK.
WIS.
MICH.
N.Y.
N.H.
VT.
ME.
MASS.
R.I.
CONN.
N.J.
DEL.
MD.
PA.
IOWA
NEBR.
NEV.
UTAH
COLO.
ILL.
IND.
OHIO
VA.
CALIF.
MO.
KY.
N.C.
TENN.
S.C.
ARIZ.
GA.
FLA.
HAWAII

SOURCES: U.S. Department of Commerce, Bureau of Economic Analysis; National Restaurant Association.

ROPER REPORTS: VACATION INTENTIONS REMAIN AT LOW LEVEL

The most recent information from the Roper Organization indicates that vacation plans for this summer remain at the low level they reached last year in reaction to the gasoline crunch. In early May forty-five percent of the respondents said they planned to take a vacation between now and Labor Day, similar to the 46 percent response last year but down significantly from the 57 percent in May 1977. Although gasoline availability is not a problem this year, it does appear that higher gasoline prices are preventing many from taking a summer vacation.

Income seems to be a prime determinant as to whether or not respondents will take a summer vacation. Six out of ten of those surveyed with incomes over $25,000 are planning a vacation between now and Labor Day compared to only 17 percent for those with incomes under $7,000. In addition, upscale respondents with respect to occupation and education are more likely to take a vacation this summer than are their downscale counterparts.

Do You or Your Family Plan To Take Any Vacation Time Between Now and Labor Day?

	April/ May 1980	April/ May 1979	May 1977	May 1976	May 1975	May 1974
Yes, plan a vacation	45%	46%	57%	55%	50%	54%
No, don't plan a vacation	49%	48%	37%	40%	44%	41%
Don't Know	5%	6%	7%	5%	6%	5%

Summer vacation travelers are important to the Foodservice Industry. Nearly 40 percent of the travel food dollar, or approximately $10.0 billion, is spent during July, August and September helping to boost summer restaurant sales. (See October *Foodservice Trends.*) During these same months eating place sales reach their monthly highs, with July and August usually the peak months. Last summer customer traffic declined by 9 percent due in part to a drop in vacation travel caused by reduced gasoline supplies, and industry sales were adversely affected. A Gallup survey done for the National Restaurant Association in March indicated that higher gasoline prices have had an adverse affect on the public's vacation plans. Five percent indicated they would not take their planned vacation. In addition, fifty-four percent of those surveyed said that they would still take a vacation but would alter their plans. Of these, 31 percent said they would go to a local resort, 28 percent said they would not travel but stay home, 22 percent said they would not take a vacation at all and 15 percent said they would use an alternate source of transportation. We will continue to monitor the situation and report all significant information in future issues of *Foodservice Trends.*

Vacation Trips Involving Driving Decline

A look at the kinds of things respondents are planning to do on their vacation indicates that trips most likely to involve driving have all declined since 1976 when gasoline was plentiful and prices were relatively low. For example, 16 percent said they would go to visit friends or relatives this summer, down from 24 percent in May of 1976. Camping also seems to be a victim of higher gasoline prices, with only 8 percent saying they would do this compared to 14 percent four years ago. As shown in the accompanying table hunting, fishing and sightseeing trips have also declined in popularity.

When respondents were asked how they planned to get to their vacation spot, three out of ten said they would go by car, a considerable drop from four out of ten in May 1976. On the other hand, those indicating they would fly to their destination rose from 7 percent to 8 percent during the four year period. Perhaps discount air fares offered by major airlines have helped to increase the use of this mode of transportation for vacation travel this year.

Which of These Things, If Any, Do You Plan To Do This Summer? (Asked of Those Planning a Vacation)

	April/May 1980	May 1976
Go visit friends or relatives	16%	24%
Go on a sightseeing trip in the U.S.	10%	14%
Go camping	8%	14%
Go someplace for summer sports	7%	10%
Stay home and work on things around the house	6%	6%
Go hunting, fishing	4%	10%
Stay home and just relax	4%	6%
Go to a resort hotel	3%	5%
Go on a sightseeing trip outside the U.S.	3%	4%
Go someplace for winter sports	—	*
None, something else	1%	1%
Don't Know	1%	2%
Not asked-do not plan vacation between now and Labor Day	55%	45%

*Not on list.

RETAIL CENSUS UPDATE: TREND TOWARD MULTIUNIT OPERATION

Information from the *1977 Census of Retail Trade* indicates that a trend toward multiunit operation in the restaurant industry is apparent. In 1977 (the most recent year for which authoritative figures are available), eating place firms operating more than one unit accounted for only 3.1 percent of the firms but a significantly higher 20.0 percent share of establishments and 40.5 percent share of sales. In 1972, such firms accounted for 15 percent of the establishments and in 1967 they held a 10 percent establishment share. The multiunit firms

Eating Places: Single Unit and Multiunit Operations

	1977					1972				
	No. of Firms	No. of Units	% of Total Units	Sales (000)	% of Total Sales	No. of Firms	No. of Units	% of Total Units	Sales (000)	% of Total Sales
Eating Places										
Single Units	219,510	219,510	80.0%	$32,095,006	59.5%	215,940	215,940	85.3%	$20,027,710	68.6%
Multiunits	6,911	54,827	20.0%	21,832,300	40.5%	5,943	37,196	14.7%	9,162,438	31.4%
2-5 Units	5,706	14,892	5.4%	5,118,007	9.5%	5,163	12,965	5.1%	2,609,628	9.0%
6-10 Units	666	4,931	1.8%	1,840,009	3.4%	413	3,065	1.2%	711,062	2.4%
11-25 Units	338	5,233	1.9%	2,022,946	3.8%	225	3,441	1.4%	2,421,873	8.3%
26-100 Units	143	6,495	2.4%	2,973,296	5.5%	103	5,047	2.0%		
101 Plus Units	58	23,276	8.5%	9,878,042	18.3%	39	12,678	5.0%	3,419,875	11.7%
Total	226,421	274,337	100.0%	$53,927,306	100.0%	221,883	253,136	100.0%	$29,190,148	100.0%
Restaurants and Lunchrooms										
Single Units	104,993	104,993	88.3%	$20,115,232	73.0%	103,066	103,066	91.5%	$12,764,741	79.9%
Multiunits	2,104	13,903	11.7%	7,453,778	27.0%	2,044	9,590	8.5%	3,213,654	20.1%
2-5 Units	1,802	4,447	3.7%	2,150,188	7.8%	1,795	4,368	3.9%	1,192,605	7.5%
6-10 Units	155	1,120	0.9%	734,403	2.7%	132	996	0.9%	356,285	2.2%
11-25 Units	92	1,499	1.4%	940,670	3.4%	77	1,161	1.0%	484,683	3.1%
26-100 Units	44	2,084	1.7%	1,325,053	4.8%	36	1,800	1.6%	744,032	4.6%
101 Plus Units	11	4,753	4.0%	2,303,464	8.3%	4	1,265	1.1%	436,049	2.7%
Total	107,097	118,896	100.0%	$27,569,010	100.0%	105,110	112,656	100.0%	$15,978,395	100.0%
Cafeterias										
Single Units	5,276	5,276	75.4%	$ 798,729	44.4%	5,669	5,669	69.5%	$ 749,177	48.7%
Multiunits	247	1,725	24.6%	997,799	55.6%	377	2,493	30.5%	788,794	51.3%
2-5 Units	187	487	7.0%	168,463	9.4%	309	849	10.4%	221,941	14.4%
6-10 Units	25	195	2.8%	(D)	N/A	31	240	2.9%	72,354	4.7%
11-25 Units	25	416	5.9%	216,924	12.1%	25	382	4.7%	136,531	8.9%
26-100 Units	8	410	5.9%	367,228	20.4%	9	445	5.5%	233,915	15.2%
101 Plus Units	2	217	3.1%	(D)	N/A	3	577	7.1%	124,053	8.1%
Total	5,528	7,001	100.0%	$ 1,796,528	100.0%	6,046	8,162	100.0%	$ 1,537,971	100.0%
Refreshment Places										
Single Units	63,097	63,097	68.3%	$ 9,102,725	47.8%	55,146	55,146	75.7%	$ 4,825,043	58.8%
Multiunits	4,016	29,260	31.7%	9,949,414	52.2%	2,981	17,704	24.3%	3,383,856	41.2%
2-5 Units	3,263	8,844	9.6%	2,542,784	13.3%	2,596	6,700	9.2%	1,059,414	12.9%
6-10 Units	440	3,276	3.5%	977,647	5.2%	212	1,549	2.1%	264,694	3.2%
11-25 Units	213	3,241	3.5%	1,034,190	5.4%	105	1,582	2.2%	282,893	3.4%
26-100 Units	66	2,992	3.3%	1,042,719	5.5%	48	2,401	3.3%	491,799	6.0%
101 Plus Units	34	10,907	11.8%	4,352,074	22.8%	20	5,472	7.5%	1,285,056	15.7%
Total	67,113	92,357	100.0%	$19,052,139	100.0%	58,127	72,850	100.0%	$ 8,208,899	100.0%
Other Eating Places										
Single Units	10,615	10,615	54.5%	$ 1,447,574	29.0%	9,026	9,026	59.3%	$ 961,400	38.7%
Multiunits	455	8,859	45.5%	3,052,286	61.0%	396	6,205	40.7%	1,522,232	61.3%
2-5 Units	341	852	4.4%	245,190	4.9%	306	778	5.1%	152,608	6.1%
6-10 Units	45	332	1.7%	79,374	1.6%	33	267	1.8%	49,024	2.0%
11-25 Units	32	539	2.8%	130,656	2.6%	23	397	2.6%	(D)	N/A
26-100 Units	23	1,247	6.4%	509,948	10.2%	22	990	6.5%	(D)	N/A
101 Plus Units	14	5,889	30.2%	2,087,118	41.7%	12	3,773	24.8%	924,377	37.2%
Total	11,070	19,474	100.0%	$ 4,999,860	100.0%	9,422	15,231	100.0%	$ 2,483,632	100.0%

NOTES:
1) (D): withheld to avoid disclosing data for individual companies.
2) Includes information for only those firms which operated for the entire year.
3) *: Less than one tenth of a percent.
4) Sales and establishment figures for multiunit firms are only for company-owned units.

SOURCE: *1977 and 1972 Census of Retail Trade*, Bureau of the Census, U.S. Department of Commerce.

have also increased their share of sales, rising from 23 percent in 1967 to 31 percent in 1972 and to the present share of 40.5 percent. On the other hand, single unit firms accounted for 80 percent of the units and 59.5 percent of the sales in 1977, down from an 85.3 percent unit share and a 68.6 percent sales share in 1972.

Dollar sales for multiunit firms increased at a significantly faster pace than those for single unit firms between 1972 and 1977. Sales for multiunit eating place firms more than doubled during the five year period, rising from $9.2 billion to $21.7 billion. Sales for single unit firms, however, advanced only 60 percent during the same period. Much of the sales growth for multiunit operations can be attributed to the rapid increase in the number of such establishments. Between 1972 and 1977 the number of units operated by multiunit firms increased by 17,631 nearly five times as great as the 3,570 establishment increase for single unit operations.

Large Chain Sales Share Rises to 18.3%

Large chains, those with more than 100 company-owned units, increased their share of eating place sales from 11.7 percent in 1972 to 18.3 percent in 1977. During the time period sales nearly tripled, rising from $3.4 billion to $9.9 billion. In addition, the number of company-owned units operated by these multiunit firms rose from 12,678 in 1972 to 23,276 in 1977.

Sales gains for smaller and medium size chains were also impressive, but lagged behind those for the large chains. Firms operating between 11 and 100 company-owned units experienced a sales gain of 106.3 percent between 1972 and 1977, and increased their share of eating place sales from 8.3 percent to 9.3 percent. Multiunit operations with 6 to 10 establishments had sales gains of 158.8 percent during the five year period, and the 2 to 5 unit firms saw sales grow a lower, but nevertheless substantial, 96.1 percent.

Multiunit Operations Account for Half of Refreshment Place Sales

Multiunit dominance is especially evident within the refreshment place category, which includes most fast food and limited menu restaurants. Multiunit firms account for only 6 percent of the firms but have captured a 31.7 percent share of the establishments and a 52.2 percent share of the sales. Five years ago these firms accounted for only 24.3 percent of the units and 41.2 percent of the sales dollars.

Between 1972 and 1977 sales for multiunit refreshment place operations nearly tripled, rising from $3.4 billion to $9.9 billion. Sales for single unit operations posted an impressive, but lower, gain of 89 percent. It should be noted that a franchisee is very frequently a single unit firm and that unit count and sales figures for multiunit operations are for only company-owned stores. Increased unit expansion by multiunit refreshment place firms was the impetus behind their sales gains, with the number of such units rising from 17,704 in 1972 to 29,260 in 1977.

Single Unit Operations Dominate Restaurant and Lunchroom Category

Unlike refreshment places, single unit firms more heavily dominate the restaurant and lunchroom category which is primarily comprised of those establishments with waiter/waitress service. In 1977, 98.0 percent of the firms in the restaurant and lunchroom group operated only one unit. They accounted for 88.3 percent of the units and 73.0 percent of the sales, down slightly from the 91.8 percent unit share and 79.9 percent sales share in 1972.

However, during the mid 1970's, a significant increase in the share of restaurant and lunchroom units and sales controlled by multiunit firms has occurred. Between 1972 and 1977 the number of multiunit firms operating more than 100 units increased from 4 to 11, the number of units rose from 1,265 to 4,753 and sales rose from $436 million to $2.3 billion. By 1977, these multiunit operations had captured an 8.3 percent share of the restaurant and lunchroom sales and accounted for nearly all the unit and sales share losses for single unit firms.

Concentration of Sales in Eating Places Grew

The largest eating place firms increased their share of the business significantly between 1972 and 1977. The 50 largest firms had total sales of $9.9 billion in 1977, and increased their sales volume share from 13.3 percent to 17.8 percent.

Figures for sales concentration for refreshment places for 1972 are not available; however, in 1977 the fifty largest firms controlled a significant one quarter share of the market. (The sales volume of the total fast food market is not included here because sales are for only company-owned units with independent franchisees excluded.)

A look at other retail groups provides a comparison for judging the degree of concentration in our industry. Concentration of sales within the largest firms is especially noticeable in the general merchandise group, which include department stores and variety stores, where 77.3 percent of the sales can be attributed to the 50 largest firms. The 50 largest grocery store firms account for 43.5 percent of the sales in 1977, while the 50 largest automotive dealers accounted for only 4.1 percent of the sales.

Concentration of Largest Firms

	Sales, 1977 ($000,000)	Share of Market 1977	Share of Market 1972
EATING PLACES			
4 Largest Firms	$2,492	4.5%	3.6%
8 Largest Firms	4,052	7.3%	5.5%
20 Largest Firms	6,886	12.4%	8.9%
50 Largest Firms	9,916	17.8%	13.3%
REFERSHMENT PLACES			
4 Largest Firms	$1,781	9.1%	N/A
8 Largest Firms	2,577	13.2%	N/A
20 Largest firms	3,776	19.3%	N/A
50 Largest Firms	4,919	25.2%	N/A

SOURCE: *1977 Census of Retail Trade*, Bureau of the Census, U.S. Department of Commerce.

Majority of Restaurants Have Average Sales of Under $300,000

The 1977 Census of Retail Trade data also provide us with information on sales size for establishments. The data indicate that about three-fourths of the eating place establishments have annual sales of $300,000 or less and only 3.0 percent have sales in excess of $1.0 million. The remaining 21 percent have sales between $300,000 and $1.0 million.

Although establishments with annual sales under $300,000 account for 76 percent of all eating place establishments, they account for only 34 percent of the sales. On the other hand, those establishments with sales in excess of one million dollars account for 19.3 percent of eating place sales.

Eating Places: Sales Size of Establishments (1977)

Establishments with Annual Sales of	No. of Units	% of Units	Sales ($000,000)	% of Sales
$5,000,000 or more	89	*	$ 703	1.4%
$2,000,000-$4,999,999	788	0.4%	2,160	4.3%
$1,000,000-$1,999,999	5,220	2.4%	6,744	13.6%
$ 500,000-$ 999,999	20,018	9.2%	13,716	27.6%
$ 300,000-$ 499,999	24,749	11.4%	9,540	19.2%
$ 100,000-$ 299,000	69,210	31.9%	12,425	25.0%
Under $100,000	96,881	44.7%	4,469	9.0%
TOTAL	$216,955	100.0%	$49,757	100.0%

*Less than 0.1%.

SOURCE: *1977 Census of Retail Trade*, Bureau of the Census, U.S. Department of Commerce.

The proportion of establishments with sales of under $300,000 for many other retail groups is not nearly as large as that for eating places. Within the general merchandise group, 53 percent of the establishments have sales under $300,000 and one-fourth have sales in excess of $1.0 million. Sixty-two percent of the grocery stores have sales of less than $300,000 and 20 percent have annual sales of more than one million dollars.

EATING AND DRINKING PLACE FAILURES INCREASED IN 1979

The number of eating and drinking place failures increased significantly during the first eleven months of 1979 compared to the same period in 1978. From January through November of last year, 582 eating and drinking establishments failed versus only 481 in the first eleven months of the prior year, according to the most recent data from Dun & Bradstreet. As shown in the accompanying chart, the total number of failures for 1979 should exceed those of the prior two years but remain well below the 779 failures in 1976. In 1979 restaurant operators were faced with a weaker economy, double digit inflation and declining customer counts, and their inability to cope with these factors most likely contributed to the more rapid rise in the number of failures.

Readers should be aware that Dun & Bradstreet statistics do not represent total business discontinuances. Failures reported here include only those concerns involved in court proceedings or voluntary actions with loss to creditors.

Eating and drinking places accounted for the largest number of retail trade failures in 1979, with failures for automotive dealers closely behind in second place. An entirely different picture, however, emerges when re-

Failures of Eating and Drinking Places January—November, 1976-1979

Month	Number of Failures 1976	1977	1978	1979
January	78	59	45	55
February	78	42	42	56
March	88	67	50	49
April	63	62	50	62
May	56	61	39	66
June	50	63	51	46
July	56	38	33	49
August	84	42	58	66
September	43	46	33	41
October	64	44	37	53
November	54	50	43	39
TOTAL	714	574	481	582

SOURCE: *Monthly Failures*, Business Economics Division, Dun & Bradstreet.

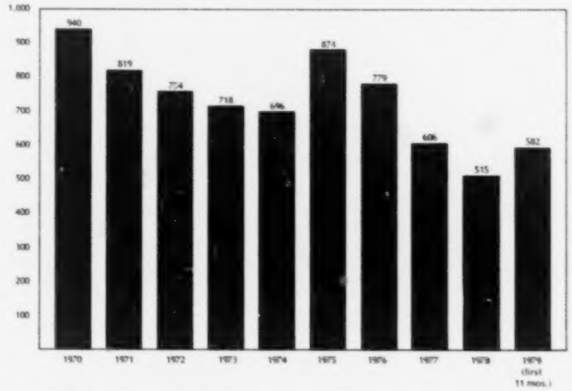
tailers are ranked by failure rate per 10,000 operating concerns. In 1978 eating and drinking places recorded only 14 failures per 10,000 concerns compared to 17 in 1977 and 19 in 1974. In fact, according to Dun & Bradstreet failure rate data for 1978, eighteen other retail concerns had higher failure rates than did eating and drinking places. For comparative purposes, the highest failure rate per 10,000 establishments was 47 experienced by sporting goods stores, and the lowest rate was 5 experienced by department stores.

Liabilities incurred by eating and drinking place failures increased during the first eleven months of 1979 compared to the same period in 1978. Total liabilities of failed eating and drinking establishments increased 83.1 percent, rising from $67.0 million in the first eleven months of 1978 to $122.7 million in the same period in 1979. In comparison, total retail trade liabilities rose only 22.5 percent during the same time period. Average liabilities per failed establishment advanced from $139,256 to $210,773.

Dun & Bradstreet and the U.S. Small Business Administration attribute nine out of ten business failures to managerial deficiencies such as lack of experience with the business and poor management skills. Often, the manager/owner is not able to avoid conditions which result in inadequate sales, inventory difficulties, heavy operating losses and competitive weakness, and therefore the business fails. Programs and information available through the National Restaurant Association are designed to help foodservice operators, either those currently in the business or those contemplating entering the business, to gain the necessary knowledge and understanding of the industry and general management practices.

Although the success of such programs is difficult to measure, it would appear that they have been of some benefit. The number of restaurant failures has declined during the Seventies, from a high of 940 in 1970 to 874 in 1975 and to approximately 600 in 1979. In addition, management training and information offered by large chains to their franchisees and managers has also helped lessen the number of restaurant failures.

Yearly Eating and Drinking Place Failures, 1970-November 1979



SOURCE: *Monthly Failures*, Business Economics Division, Dun & Bradstreet.

OUTLOOK FOR WHOLESALE FOOD PRICES AND SUPPLIES

Wholesale food costs for restaurants have been rising at a slower pace than have all wholesale food costs during the first five months of 1980. The National Restaurant Association's Food Cost Index (FCI), which measures wholesale food costs for restaurants, has averaged only 2.5 percent higher during the first five months of this year compared to the same period last year. All food, according to the Bureau of Labor Statistics' Producer Price Index (PPI), has been advancing at a slightly faster 3.2 percent pace during the same time period. Continued declines in pork, poultry, eggs and fresh vegetable prices as well as more moderate price increases for beef and fish have kept wholesale food costs for restaurants from rising at the more rapid rates experienced in the past few years.

Chase Econometrics in their June Agricultural forecast, however, expects wholesale food prices during the remainder of 1980 to rise substantially. Lower supplies together with a desire by producers to improve profit margins will cause beef, pork and poultry prices to advance at a rapid pace in the third and fourth quarters. In the third quarter, Chase Econometrics predicts whole sale prices for meats, poultry and fish to be 58.2 percent higher than they were in 1979's third quarter. In the first quarter they were up about 1.0 percent and in the second quarter they were down 11.2 percent. According to NRA's Food Cost Index, meats, poultry and fish account for nearly half of the food purchases made by restaurants. Thus, a rapid rise in these costs will force the FCI to move up more quickly than it has been.

Robert Remmele, an economist with the U.S. Department of Agriculture, also predicts that meat and poultry prices will be rising during the remainder of this year, but the rate of increase will be lower than that expected by Chase. Remmele believes that plentiful meat supplies and a slowing economy will keep wholesale meat prices from rising at a rapid pace.

The heat wave which has affected Texas, Oklahoma and many of the Gulf states in late June and early July has adversely effected livestock and crop production. Particularly hard hit have been broiler and beef producers as well as many of the fresh fruit and vegetable crops which are near their harvesting times. We will be monitoring this situation and will report any significant developments in next month's *Foodservice Trends*.

In the remainder of this report we will present highlights on the wholesale price and supply of specific commodities.

COMMODITY PRICE INDEX

	Percent Change			
COMMODITY	**1978-1979**	**May 79-May 80**	**5 Mos. 79-5 Mos. 80**	**Apr. 80-May 80**
Bakery Products	10.0%	13.0%	12.7%	0.6%
Flour & Cereal	12.4%	14.4%	17.2%	1.8%
Beef & Veal	24.7%	(3.7%)	0.9%	1.6%
Other Meats	(2.8%)	(17.8%)	(17.0%)	0.1%
Pork	(6.4%)	(19.4%)	(20.6%)	1.0%
Lamb	5.9%	(10.1%)	(6.9%)	0.2%
Poultry & Eggs	0.7%	(17.1%)	(13.4%)	(1.3%)
Poultry	(2.8%)	(19.1%)	(14.1%)	N.C.
Eggs	11.3%	(11.1%)	(11.6%)	(5.0%)
Fish & Shellfish	22.6%	(7.3%)	4.5%	(8.0%)
Sugar & Sweets	6.9%	37.0%	23.2%	10.3%
Sugar	8.3%	56.6%	33.9%	19.1%
Vegetables	2.0%	10.3%	(6.6%)	8.4%
Fresh Vegetables	0.5%	13.3%	(11.6%)	12.7%
Fruits & Juices	8.7%	5.8%	5.5%	2.9%
Fresh Fruit	5.8%	5.9%	5.3%	6.4%
Beverages	0.8%	16.0%	16.5%	1.5%
Dairy Products	12.1%	10.1%	9.4%	0.5%
Fats & Oils	6.4%	4.2%	6.3%	(0.6%)
NRA Food Cost Index	12.2%	1.2%	2.5%	0.5%
All food, Producer Price Index[1]	9.5%	4.8%	3.2%	2.5%

[1] Includes all processed foods (except soft drinks, alcoholic beverages and animal feeds) plus eggs and fresh and dried fruits and vegetables.

SOURCES: *Producer Price Index*, Bureau of Labor Statistics; National Restaurant Association.

BEEF. Beef production in the first quarter of 1980 was five percent below year earlier levels, but in the second quarter, production was slightly ahead of last year. In the second half of 1980 production should fall well below year-earlier levels causing some upward pressure on prices. For all of 1980, beef production is estimated to decline about two percent, considerably less than the 11 percent decrease in 1979.

Choice beef prices at the wholesale level fell about 5 percent in the first half of 1980 compared to the same period in 1979. In the last half of this year U.S.D.A. expects prices to be up 5 percent over last year while Chase Econometrics sees a more significant 10.0 percent rise. However, both U.S.D.A. and Chase predict Choice cattle prices will be highest in the fourth quarter of this year.

PORK. The USDA in its June *Agricultural Outlook* predicts that 1980 pork production will equal 16.7 million pounds, an increase of 9 percent over 1979's 15.3 million pounds. The largest increases in production have occurred during the first half of this year; when production rose 17 percent over the same period last year. However, during the remainder of 1980, pork production will be only 3 percent above that of 1979.

Because supplies will not be as great in the second half as they were in the first half of this year, prices are expected to rise slightly. Adequate supplies of competing meats and a weaker economy will keep prices from rising too quickly. USDA's Remmele predicts hog prices will remain below $40 per hundred-weight for the second half, slightly above the $33 price during the first half and approximating the $37 price of last year's second half. For all of 1980, wholesale pork prices are expected to decline by 17 percent, according to USDA estimates. Chase Econometrics, on the other hand, predicts a lower 14 percent decline for the entire year, and a significant 8 percent increase in hog prices in the last half of 1980, with hog prices averaging $41 per hundredweight.

CHICKEN. A slowdown in broiler output is expected in the last half of 1980 because lower profit margins are forcing producers to cut back. First half broiler production was 4 percent above that of last year's first half; however, second half production is expected to be down 2 percent from the same period in 1979. For all of 1980, broiler production should equal 11.0 million pounds, an increase of 1 percent over last year.

Broiler prices are expected to rise in the next months from their first half level. In the first quarter broiler prices averaged 43 cents a pound and in the second quarter they averaged about 39 cents a pound. Chase Econometrics predicts that prices will rise to 45 cents in the third quarter and decline slightly to 43 cents in the fourth quarter. USDA's Remmele foresees a similar rise in wholesale chicken prices. Overall 1980 broiler prices should average about 42 cents a pound, down from 44 cents a pound last year.

SUGAR. Sugar prices continue to climb because of early indications of a decline in world sugar production. During the first five months of 1980 wholesale sugar prices have averaged 34 percent higher than during the same period in 1979 and 57 percent above last May's level.

EGGS. Because of increased output per hen, egg production for the first four months of 1980 was up 2.0 percent from a year ago. Egg output during the next several months may decline from a year ago, mainly because of reduced layer numbers. For the entire year, egg production is expected to total 5.8 million dozen, similar to 1979's production.

Large supplies of high-protein foods and reduced consumer demand have caused egg prices to average well below last year. USDA expects 1980 prices to average 63 cents a dozen at the wholesale level, down 8 percent from 1979's average of 68 cents.

ENERGY CONSERVATION STICKERS

Enclosed in this edition of *FOODSERVICE TRENDS* is a sheet of "crack 'n peel" stickers that will be useful to you in identifying and labeling the high energy consuming equipment in your kitchen. Additional stickers are available upon request from NRA's Energy Department, 311 First Street, N.W., Washington, D.C. 20001. Phone: (202) 638-6100.

Industry Index

RETAIL SALES (000,000)	**May 1980**	**Percent Change vs. Year Ago**	**Year to Date Sales 1980**	**Percent Change vs. Year Ago**
All Retailers	$77,249	+ 3.0%	$365,193	+ 7.2%
Eating & Drinking Places	$ 7,011	+ 9.9%	$ 31,992	+ 9.2%
Food Stores	$18,408	+14.6%	$ 84,755	+12.2%

(Source: Bureau of Census, unadjusted data. Subject to revision.)

CONSUMER PRICES (May)	**Percent Change vs. Year Ago**	**Percent Change 1980 to Date vs. Year Ago**
Food at Home	+ 5.6%	+ 6.2%
Food Away from Home	+ 9.7%	+10.7%
All Items Less Food	+16.1%	+15.9%

(Source: Bureau of Labor Statistics.)

EATING PLACE INDICATORS (000,000)	**April 1980**	**Percent Change vs. Year Ago**	**Year to Date Sales**	**Percent Change vs. Year Ago**
Eating Place Sales	$5,837	+6.9%	$22,080	+9.0%

	Percent Change vs. Year Ago	**Percent Change Year to Date vs. Year Ago**
Real Eating Place Sales (April)	+3.4%	+1.7%

(Sources: Bureau of Census, Bureau of Labor Statistics, NRA calculations. Subject to revision.)

EMPLOYMENT AND EARNINGS	**March, 1980**	**Percent Change vs. Year Ago**
Total Employment	4,575,800	+6.0%
Nonsupervisory Employment	4,211,900	+6.3%
Nonsupervisory Average Hourly Earnings	$3.65	+6.4%
Average Weekly Hours	25.8	−1.2%

(Source: Bureau of Labor Statistics.)

FOODSERVICE TRENDS

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FOODSERVICE TRENDS

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August/September, 1980

analysis and interpretation
- the industry
- the market
- consumer behavior and attitudes

In This Issue:

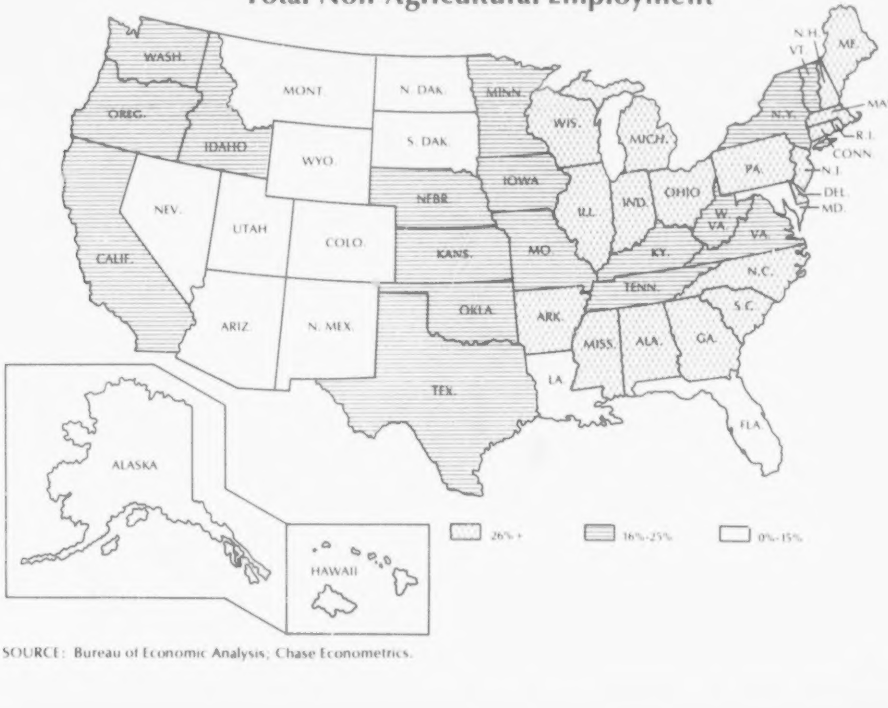
- **The Recession: Region By Region.**
- **CREST REPORT: Customer Traffic Drops In Spring Quarter.**
- **Sunbelt Cities Post Best Real Sales Gains.**
- **The Heat Wave: Its Impact On Meat Prices and Supplies.**
- **Announcing: Planning Restaurant Strategy In Turbulent Times.**

THE RECESSION: REGION BY REGION

The U.S. Economy officially fell into a recession in the second quarter, causing large declines in industrial production and employment. The Bureau of Economic Analysis reported that real Gross National Product (GNP) fell at an annual rate of 9.1 percent in the April-May-June quarter compared to a 1.2 percent rise in this year's first quarter. Chase Econometrics expects real GNP to decline by 5.6 percent in the third quarter and to decline by 0.4 percent in the fourth quarter. The Bureau of Economic Analysis also predicts that real GNP will decline in the remaining two quarters of 1980 and that the recovery will begin late in the fourth quarter. However, the outlook for the recovery depends on how quickly personal income rebounds and inflation decelerates.

The impact of this economic downturn will vary from region to region, primarily because the regions differ in their industrial structure and in the strength of their longer term growth trends. (See accompanying map on the importance of manufacturing in each region.) We present here an update of the regional economic outlook which was reported in the January *Foodservice Trends*. This regional analysis is based on a Conference Board Economic Forum held in the Spring at which seven experts from across the country gathered to discuss regional economic forecasts. In addition, we have

Manufacturing Employment as a Percent of Total Non-Agricultural Employment



SOURCE: Bureau of Economic Analysis; Chase Econometrics.

supplemented the information with data from Chase Econometrics.

Overall, each region will feel some adverse effects from this recession. Tight credit, lower farm prices and the Soviet grain embargo have pushed the farming regions into an economic slump. Production and employment declines in durable goods manufacturing industries such as steel and autos has had an adverse effect on regions highly dependent on these industries. Nationwide unemployment rates will also be rising from a predicted annual average of 7.7 percent in 1980 to 8.7 percent in 1981, and forecasters expect higher unemployment in the Midwest and West. (See accompanying table.) For more specific information on the Economic Outlook for the nine census regions readers may refer to the following table.

Comparative Recession Performance For Unemployment

Region	Unemployment Rate* 1970-1971	1974-1975	1979-1980
New England	7.2%	11.0%	8.3%
Middle Atlantic	6.2%	9.6%	9.8%
East North Central	6.4%	9.6%	10.5%
West North Central	4.1%	5.6%	6.2%
South Atlantic	4.5%	8.8%	8.0%
East South Central	5.4%	8.2%	8.6%
West South Central	5.4%	6.7%	6.7%
Mountain	5.7%	8.7%	7.7%
Pacific	9.1%	10.0%	9.6%
Total United States	6.0%	8.9%	8.7%

*Peak rate.
SOURCE: Chase Econometrics.

Regional Economic Outlook

REGION | **ECONOMIC FORECAST**

Northeast

VT.
ME.
N.Y.
N.H.
MASS.
PA
R.I.
CT.
N.J.

The influx of high technology industries in the New England states has helped this region, and therefore it will not face as severe a downturn as in past recessions. Because the region is dependent on defense related industries, the increase in defense spending in 1980 and 1981 will also help the region to weather this recession. The region's Middle Atlantic states, however, are more dependent on durable goods industries such as steel and autos, and they will be more susceptible to an economic slowdown. These states are at a competitive disadvantage because of their outdated plants and high cost of energy but they do have the advantage of close by markets and good transportation which will help in later years.

South Atlantic

MD.
DEL.
WVa.
Va.
N.C.
S.C.
GA.
FLA.

This region is usually affected less by recessions than the nation as a whole, and this will be the case in 1980. There are few signs of overbuilding such as occurred in 1974. The collapse of the housing industry, however, will have an adverse impact on the furniture industry, which is primarily concentrated in North Carolina. Outlook for farm income for the region is bleak, but certain crops important to the area should do well: citrus fruit in Florida, tobacco in the Carolinas and peanuts in Georgia. The banks in the region are liquid and are able to meet the region's short term financing needs. Durable goods manufacturing concentrated in the northern part of the region will result in production slowdowns and rising unemployment in Maryland and Delaware. However, the region's overall dependence on state, local and federal government employment will be a distinct advantage and will help minimize the effects of the recession.

East North Central

WIS.
MICH.
ILL.
IND.
OHIO

A recession usually signifies economic hardship for this region, and it appears that this recession will be no different. The concentration of cyclically sensitive industries such as steel and autos causes this region to feel the effects of a recession more severely than other regions. In addition, many industries in the area suffer from some competitive disadvantages (higher operating costs, poor plant location, obsolete equipment) and will feel the effects of the recession more severely than the same industries in other regions. The region's farm sector is also facing a recession in 1980. Farm prices for grains are below last year, farmers are faced with tight credit and meat and poultry producers are experiencing negative profit margins. Farm income will be down in 1980, and the prospects for 1981 indicate only slight improvement. In general, the economy in this region will continue to be heavily dependent on its manufacturing base, but plants will be modernized in the coming years, and this, together with the area's concentration of markets, good transportation and abundant energy supplies should help the region in the future.

East South Central

KY.
TENN.
MISS.
ALA.

Overbuilding by the housing industry in this region is not a problem in 1980 as it was in 1974, signaling a less severe recession for these states. The employment picture for the area should be better than that for the country as a whole because there are growth opportunities in the service sector. The farm sector is in a recession, with chicken producers particularly hard hit. (The recent heat wave has killed thousands of chickens, and producer's could see higher prices shortly.) Farm income will be below that of last year and will see little recovery in 1981. The outlook for cotton, a principal crop for Mississippi, is good and provides some optimism for the farm picture this year.

West North Central

N.D.
MINN.
S.D.
IOWA
NEB.
KAN.
MO.

The recession has reached this region, despite its overwhelming dependence on farming. The Soviet grain embargo, tight credit policies, record supplies and declining demand will cause farmers to feel the pinch of this recession. Equipment manufactures, suppliers and retailers selling in and to the farm community will also suffer. Some optimism for improved farm income prospects lie with the fact that the summer heat wave will keep crop yields below last year's record level and the possibility that the Soviet grain embargo may be lifted.

West South Central

OKLA
ARK
TEX
LA

During the last recession this region continued to expand, and a similar achievement is expected in this year's recession. Population growth for the states in the area will continue due to strong in-migration. The average unemployment rate should remain below that for the U.S. because employment opportunities still exist. Inflation in the area now outpaces that for the U.S. but many cities still offer relatively low living costs. Energy related industries are important to the region and will become increasingly important throughout the 1980's, providing momentum for continued economic expansion. Income for the farmers in this region is below that of last year and the forecast is for only slight improvement in 1981.

Mountain

MONT
IDAHO
WYO
NEV
UTAH
COLO
ARIZ
N. MEX

This region has been experiencing a strong in-migration of people and businesses because of its climate, natural resources, lower living costs, smaller degree of unionization and lower taxes. The area is more dependent on service and trade employment than on manufacturing, and therefore it is not as susceptible to eocnomic downturns. Tourism, which is an important industry in many of the states in this region, will be down because of the recession. Employment growth in the area is expected to slow this year and next. In addition, income, retail sales and housing construction gains will slow. However, by the second quarter of 1981 the region's economy should be growing at a more rapid pace.

Pacific

ALASKA
HAWAII
WASH
ORE
CAL

Overall, this region should perform as well, if not better, than the nation as a whole. Inflation is and will be a major concern for the region because of higher energy prices and rapidly rising prices for housing in Southern California and the Pacific Northwest. Retail sales in the area are expected to be higher than in other regions because of continued strong demand. Because the region specializes in light industry, particularly high technology industries, it will suffer less from this recession than other regions. Unemployment in the area will exceed the National average, and will be most pronounced in Alaska, Hawaii and Oregon. Manufacturing strength will come from aircraft manufacturing in Washington and aerospace and electronic manufacturing in California. As a result, these two states will experience the least downturn. The region's other states, however, will not be as fortunate. The Hawaiian economy will be hurt by a drop in tourism; the slowdown in Alaska will affect all sectors and the Oregon economy will be weakened by a decline in the lumber and wood products industries.

NATIONAL
RESTAURANT
ASSOCIATION

CREST REPORT

Quarterly Supplement to
Foodservice Trends
August, 1980

CREST Highlights

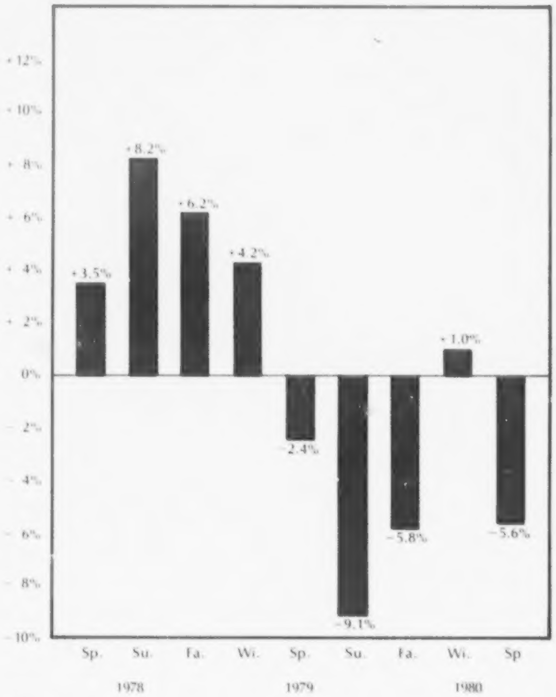
- **Traffic declined by 5.6 percent in the Spring Quarter over the same quarter last year.**
- **Families continue to eat out less often, with substantially fewer visits to cafeterias and atmosphere/specialty restaurants.**
- **Industry sales rose only 1.2 percent in the Spring Quarter compared to a considerably higher advance of 10.6 percent in the Winter Quarter.**
- **Promotional usage by operators continues at a high level, with especially high usage at fast food and atmosphere/specialty restuarants.**
- **Breakfast traffic rises 5.2 percent in the Spring Quarter over last Spring.**
- **Traffic held up best at fast food, family and coffee shop restaurants.**

CUSTOMER TRAFFIC DROPS IN SPRING QUARTER

Restaurant customer traffic, after experiencing a slight increase this past Winter, weakened in the Spring Quarter (March, April, May) according to the most recent information from CREST. Traffic in the Spring Quarter declined by 5.6 percent from the same period in 1979 versus a 1.0 percent increase in the Winter Quarter. This drop in traffic is more than twice the decline of last Spring when the industry began experiencing traffic losses. The recent traffic decrease is equal to that of last Fall but is still not as severe as the 9.1 percent loss of last Summer. (See accompanying chart.)

The recession together with continued double digit inflation, a cut back in consumer spending, higher gasoline prices and a decline in the number of employed persons most likely contributed to the industry's recent decline in traffic. We believe, however, that two factors are present which demonstrate that our industry's performance should improve by the end of the year. First of all, real sales growth for restaurants was a leading indicator in the last recession. Therefore, assuming history repeats itself, the industry should experience some sharper declines before the overall economy and should begin pulling out of its slump while the economy is still moving downward. Second, consumers, because of their reduced spending power, will cut back on their purchases of durable goods items such as autmobiles and appliances. This may leave consumers with additional spendable income enabling them to eat out more often.

Percent Change in Quarterly Customer Traffic (Spring '78-Spring '79)



SOURCE: CREST.

Families Eating Out Less Often

The primary cause for the current traffic softness is that consumers are satisfying a smaller portion of their eating needs at restaurants than they did a year ago. This is evident when visit frequency, the number of times each restaurant patron family actually goes to a restaurant, is examined. During the Spring Quarter the number of visits per family declined by 5.8 percent, substantially larger than the 1.4 percent decrease in the Winter Quarter and approximately equal to last Fall's decline.

When visit frequency by restaurant type is analyzed, it can be seen that most of the decrease can be attributed to less frequent visits to cafeterias, atmosphere/specialty restaurants and family restaurants. On the other hand, visit frequency increased at coffee shops and remained unchanged at fast food restaurants.

Also contributing to Spring's traffic decline was a slight drop in the average party size of 0.5 percent. In comparison, average party size had increased in each of the prior three quarters.

The number of families eating out (family reach), however, increased slightly in the most recent quarter, with the total number of families visiting a restaurant in the two week period rising by 0.6 percent from the same quarter in 1979. This compares to a 1.9 percent gain experienced in the prior quarter, and declines of 1.6 percent and 3.4 percent in the Fall and Summer Quarters respectively.

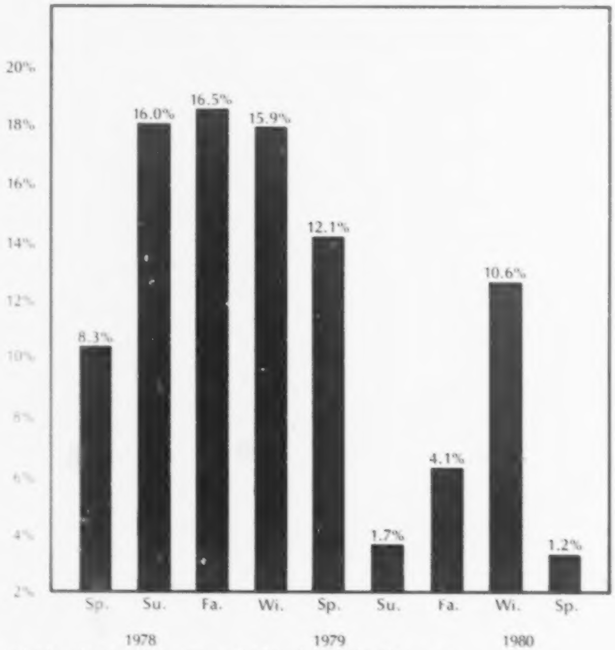
Restaurant Sales Up Only 1.2%

The severity of the restaurant industry's current slump is shown by the fact that sales rose only 1.2 percent between Spring 1979 and Spring 1980. This is a significant drop from the 10.6 percent sales gain experienced in the Winter Quarter and is slightly below the 1.7 percent sales advance of last Summer when traffic dropped 9.1 percent. In fact, this is the smallest percentage change in sales since the Winter of 1977 when sales declined by 2.4 percent.

Commerce Department data for eating and drinking place sales indicate that sales gains subsequent to the CREST Spring Quarter have been ahead of last year's increases, providing some optimism for future industry sales. This is especially true for May and June, as shown in the accompanying table.

Consumer vacation travel plans this summer remain somewhat uncertain. Last year many canceled their vacations because of non-availability, or perceived non-availability, of gasoline. This year the price of gasoline is causing the public to curtail or alter their vacation plans. (See July *Foodservice Trends*.) If consumers decide to travel more than they have previously indicated, restaurant sales could very well receive a significant boost over last year.

Percent Change in Quarterly CREST Sales (Spring '78-Spring '80)



Sales based on total U.S.; average for 2 weeks period each quarter.

SOURCE: CREST

Eating and Drinking Place Sales (Percent Change From Same Month in Previous Year)

Month	1978	1979	1980
January	7.8%	10.8%	14.0%
February	5.5%	12.1%	12.1%
March	11.9%	13.7%	3.5%
April	9.0%	8.5%	7.9%
May	6.4%	7.0%	9.6%
June	8.4%	6.7%	7.5%

SOURCE: U.S. Department of Commerce.

The rate of increase in the average expenditure for a restaurant meal or snack (Easter Check Size) continues to decline. During the Spring Quarter the average per person check size rose only 7.4 percent over the same period last year versus an increase of 9.4 percent in the previous Quarter and a gain of 14.4 percent in 1979's Spring Quarter. It should be noted that this slower rise in average check size can be due to consumers ordering fewer items or less expensive items as well as more moderate menu price increases.) Consumer Price Index data also confirm this slowing in menu prices. However, Chase Econometrics predicts that food prices, and in particular beef prices, will be rising in the third and fourth quarters of this year and will cause menu prices to rise at a more rapid pace.

Operators Continue High Usage of Promotions

The Spring Quarter CREST data indicate that restaurant operators are continuing to use promotions as a means of increasing customer traffic. The percent of occasions involving a promotion this Spring was 8.7 percent, considerably above last Spring's proportion of 6.7 percent of the occasions.

A look at promotion usage by restaurant type shows that all types of restaurants stepped up their usage of promotions, with the highest usage at fast food, atmosphere/specialty and family restaurants. Promotions at cafeterias also experienced a dramatic increase, rising from 4.8 percent of the occasions in the Spring Quarter of 1979 to 6.1 percent in this year's Spring Quarter.

Percent of Occasions Utilizing a Promotion

	Winter (D-F)	Spring (M-M)	Summer (J-A)	Fall (S-N)
1978	7.4%	7.3%	5.6%	7.3%
1979	7.7%	6.7%	6.4%	7.7%
1980	8.7%	8.7%		

SOURCE: CREST.

Fast Food, Family and Coffee Shop Restaurants Suffer Least From Traffic Declines

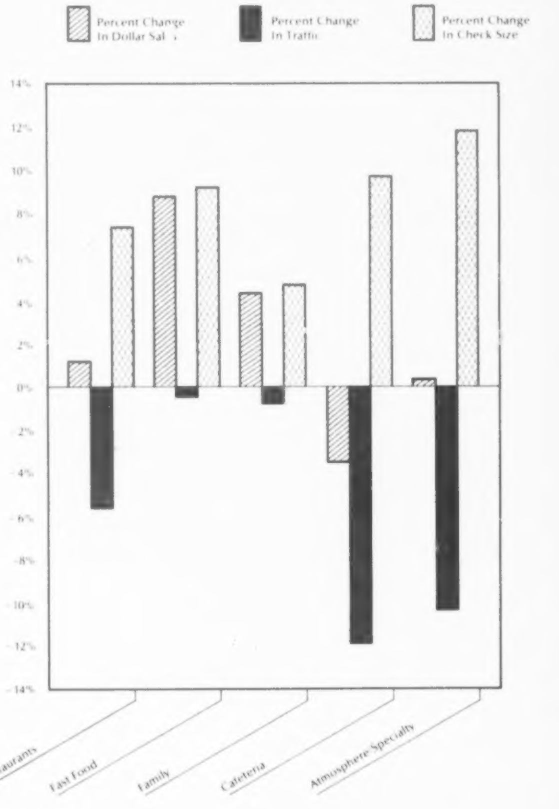
In the most recent quarter, customer traffic at coffee shops remained unchanged from the same quarter last year. The per person check size at these restaurants declined by 1.3 percent compared to an industry increase of 7.4 percent. Families increased their visit frequency at coffee shops; however, this was offset by the fact that the number of families eating out at coffee shops declined.

Traffic at fast food restaurants in the Spring declined by 0.4 percent from the Spring of last year. Fast food restaurant prices rose at a faster pace than overall restaurants prices (9.2% versus 7.4%), and this probably caused traffic to soften. In addition, visit frequency declined slightly, but the number of families eating out at fast food restaurants increased. Operators dramatically stepped up their use of promotions at fast food establishments with promotional usage at these restaurants rising from 7.6 percent of the occasions in the 1979 Spring Quarter to 11.1 percent in 1980.

Family restaurant traffic declined by 0.7 percent in the March-April-May period, substantially less than the 5.6 percent traffic loss for all restaurants. Average per person check size for these restaurants rose only 4.8 percent, and operators increased their use of promotions, resulting in their better than average performance.

Traffic declines were largest at cafeterias, with a drop of 11.9 percent, and atmosphere/specialty restuarants, with a decrease of 10.3 percent. Larger than average increases in menu prices at these restaurants together with substantial declines on visit frequency were most responsible for the traffic declines.

Spring Quarter Performance by Selected Restaurant Type



SOURCE: CREST.

Breakfast Traffic Rises 5.2% in Spring Quarter

As in previous quarters not all meal occasions suffered the decline in customer traffic equally. Breakfast was the only meal to register an increase in customer count, marking the third such quarter of traffic gains for breakfast. Customer traffic for the morning meal rose 5.2 percent in the Spring Quarter. Breakfast's good showing can be attributed to an increase in visit frequency as well as its perceived good value because of the slower rise in average per person check size.

Snacking occasions continue to show the largest declines in customer count, probably because they are the most discretionary of all occasions and represent a relatively easy way for families to cut back on restaurant expenditures. The number of snacking occasions this past Spring Quarter declined by nearly eleven percent, primarily due to a significant drop in visit frequency. Restaurant snack sales were off 4.0 percent compared to an industry average sales gain of 1.2 percent.

Lunch occasions decreased by 4.5 percent in the Spring Quarter compared to a smaller 0.5 percent drop in the previous three month period. Lunch prices continue to rise at a more rapid pace than overall restaurant prices, 8.1 percent versus 7.4 percent. CREST information shows that fewer families were eating lunch out in this most recent quarter and that those families who did eat out were doing so less often. As a result, traffic declined. In addition, Bureau of Labor Statistics' data indicate that the number of employed persons has dropped by one million persons between February and May of this year, and therefore, fewer persons were faced with the necessity of eating out for the noon day meal.

Supper traffic declined at a faster rate than overall restaurant traffic in the March, April, May Quarter, down 5.8 percent compared to a 5.6 percent drop for the industry. In the Winter Quarter, supper traffic rose 2.4 percent and overall traffic was up one percent. The number of families who ate dinner away from home this past Spring declined considerably from the same period last year, and visit frequency also declined. It does appear that operators, in an attempt to attract more supper patrons, increased their usage of promotions. The percentage of supper occasions on which a promotion was used increased from 10 percent in Spring 1979 to 13 percent in Spring 1980.

WHAT IS CREST?

Launched in September 1975, The CREST (Chain Restaurant Eating-Out Share Trends) survey is designed to track expenditures and behavior in the commercial segment of the foodservice industry. While the study name refers to chain trends, a great deal more is available including information by type and classification of restaurant and also by meal or snack period.

Some 10,000 families, or approximately 30,000 persons, are chosen to reflect the U.S. and participate in the study. Each family is asked to record restaurant experiences for a particular two week period for each of the four quarters during the year. Because the study is repetitive, it allows an excellent opportunity to follow changing trends.

In order to properly complete the CREST diary, several steps are involved. Step 1 requires a daily entry for each meal during the two week period for each household member. Whenever the code for restaurant purchases appears, the participant is asked to elaborate on the occasion by making further entries in the diary.

The second portion of the diary is used only if a household member ate or obtained food prepared away from home in establishments such as restaurants, hotels or motels, fast food drive-ins, delicatesens, refreshment stands, carry outs, coffee shops, donut shops, ice cream shops or eating places inside variety stores or other retail stores. The diary will *not* include any meals eaten at schools, hospitals, colleges or other institutional feeding places. When the two week reporting period is complete, the diary is returned to NPD Research, Inc.

The CREST study is a joint effort of individual foodservice organizations acting in concert to fund a study perhaps beyond the economic reach of any of the individual participants. The NRA is solely a participant in this study and not a sponsor.

The CREST study is designed to provide information on customer behavior, not attitudes. This study will, therefore, provide the user with information on how much people spend, where they spend, what they spend on, etc. It will not tell people's attitudes toward a particular issue. It will, because it is an ongoing study, allow comparison against a standard or the development of trend analysis, and enable the operator to make decisions based on documented trends rather than casual observation.

SUNBELT CITIES POST BEST REAL SALES GAINS

The *1977 Census of Retail Trade* provides us with information on eating place sales and establishment count for all the nation's 277 standard metropolitan statistical areas (SMSA). We have summarized data for the top 25 metropolitan areas in the accompanying table and will present information on the other areas in future issues of *Foodservice Trends*.

New York Area Ranks First in Restaurant Sales

The New York area, with eating place sales of $2.43 billion, ranks first among the metropolitan areas, according to the 1977 retail census data. Close behind New York are the metropolitan areas of Los Angeles-Long Beach, with sales of $2.36 billion, and Chicago, with sales of $2.11 billion. In addition, four metropolitan areas had 1977 eating place sales between $1.0 and $2.0 billion, and these include San Francisco-Oakland ($1.17 billion), Detroit ($1.12 billion), Philadelphia ($1.05 billion) and Washington, D.C. ($1.04 billion).

Between 1972 and 1977, seven of the top 25 metropolitan areas doubled their eating place sales, and most of these areas are located in the Southern and Western States. Houston reported the largest percentage sales gain during the five year period, 142 percent, with eating place sales rising from $320 million to $775 million. Other metropolitan areas which experienced a doubling in restaurant sales between 1972 and 1977 include Seattle-Everett, Phoenix, Denver-Boulder, San Diego, Dallas-Fort Worth and Pittsburgh. On the other hand, restaurant sales advanced only 30.2 percent during the five year period in New York and 48.6 percent in the Nassau-Suffolk metropolitan area.

Houston Posts Average Annual Real Sales Gain of 9.5%

Although menu price increases for the Southern and Western cities in the top 25 often outpaced those for the nation as a whole between 1972 and 1977, significant population and income gains were able to boost eating

Eating Places: Top 25 Metropolitan Areas

Metropolitan Area	Number of Establishments 1972	Number of Establishments 1977	Number of Establishments % Change	Sales (000) 1972	Sales (000) 1977	% Change	Average Annual % Change	Average Annual % Change In Menu Prices	Average Annual Percent Gain In Real Sales
New York[1]	10,399	10,289	(1.1)	$ 1,870,951	$ 2,435,909	30.2	5.4	6.9	(1.5)
Los Angeles-Long Beach[2]	7,659	8,310	8.5	1,405,682	2,359,120	67.8	10.9	9.1	1.8
Chicago	7,252	7,340	1.2	1,303,580	2,109,108	61.8	10.1	8.9	1.2
San Francisco-Oakland	3,694	4,235	14.6	652,162	1,172,830	79.8	12.5	7.5	5.0
Detroit	3,663	3,939	7.5	628,398	1,120,490	78.3	12.4	9.2	3.2
Philadelphia	3,725	4,261	14.4	626,300	1,046,209	67.0	10.8	9.5	1.3
Washington, D.C.	2,328	3,008	29.2	576,516	1,036,329	79.8	12.5	9.4	3.1
Boston	2,934	3,162	7.7	550,007	889,008	61.6	10.1	9.3	0.8
Dallas-Fort Worth	2,613	3,248	24.3	407,470	846,787	107.8	15.8	9.4	6.4
Houston	2,161	2,715	25.6	320,740	775,288	141.7	19.3	9.8	9.5
Anaheim-Santa Ana-Garden Grove[2]	1,550	2,141	38.1	344,571	685,345	98.9	14.7	9.1	5.6
Nassau-Suffolk[1]	2,342	2,743	17.1	426,101	633,328	48.6	8.3	6.9	1.4
St. Louis	2,089	2,253	7.9	321,202	609,201	89.7	13.7	8.2	5.5
Atlanta	1,553	2,000	28.8	327,367	594,672	81.7	12.7	8.7	4.0
Seattle-Everett	1,445	1,729	19.7	249,623	566,365	126.9	17.8	8.7	9.1
Baltimore	1,673	1,988	18.8	299,802	549,213	83.2	12.9	9.3	3.6
Minneapolis-St. Paul	1,615	1,881	16.5	283,970	548,506	93.2	14.1	11.0	3.1
Denver-Boulder	1,308	1,757	34.3	240,711	517,910	115.2	16.6	9.1	7.5
San Diego	1,334	1,881	41.0	243,325	506,746	108.3	15.8	10.9	4.9
Cleveland	1,696	1,920	13.2	293,091	494,579	68.7	11.0	9.3	1.7
Miami[3]	1,496	1,610	7.6	325,007	493,126	51.7	8.7	8.9	(0.2)
Pittsburgh	1,636	2,002	22.4	234,987	484,971	106.4	15.6	9.8	5.8
Newark[1]	1,527	1,754	14.9	275,054	426,259	55.0	9.2	6.9	2.3
Phoenix[3]	1,274	1,437	12.8	190,266	417,321	119.3	17.0	8.9	8.1
Tampa-St. Petersburg[3]	1,489	1,444	(3.1)	432,772	413,864	95.6	14.4	8.9	5.5
TOTAL U.S.	**208,895**	**237,728**	**13.8**	**$29,311,764**	**$54,405,754**	**85.6**	**13.2**	**8.9**	**4.3**

FOOTNOTES: 1. Used food-away-from home index for New York-Northeastern New Jersey; 2. Used food-away-from index for Los Angeles-Long Beach-Anaheim, 3. Used U.S. City average food-away-from-home index.

SOURCE: *1977 Retail Census*, Bureau of th Census, U.S. Department of Commerce; *Consumer Price Index*, Bureau of Labor Statistics.

place sales in current dollar terms. As a result, these metropolitan areas were able to post impressive real sales gains which were not only above the national average but also above the real gains of most of the SMSA's in the North and Midwest.

The Houston metropolitan area posted average annual real sales gains of 9.5 percent between 1972 and 1977, more than twice the nationwide real sales increase of 4.3 percent. The Seattle-Everett SMSA also reported an impressive 9.1 percent yearly real sales growth during the five year period.

THE HEAT WAVE: ITS IMPACT ON MEAT PRICES AND SUPPLIES

The extreme hot and dry weather front that has settled over the Southern Plains during the latter part of June and throughout July is also affecting the Southern corn belt and the Southeast. Long range weather forecasts indicate that this extreme heat is likely to continue into August and that rainfall will be below normal levels. Because much of the nation's food supply comes from these regions, the impact of the current weather conditions on wholesale food prices and supplies is significant.

In the remaining portion of this report we will review the outlook for red meat and poultry prices and supplies. The information is based on data received from Chase Econometrics Associates, Inc. (CEAI) and the U.S. Department of Agriculture in late July.

Impact of the Heat Wave on Farm Prices for Meat

		1980		1981	
Type	1979	Pre Heat Wave	Heat Wave	Pre Heat Wave	Heat Wave
Beef ($/cwt)	$66.06	$67.10	$67.25	$71.53	$73.02
Hogs ($/cwt)	$41.38	$35.75	$36.22	$46.10	$49.38
Poultry (¢/lb.)	$ .44	$ .43	$ .44	$ .46	$ .49

SOURCE: Chase Econometrics, July 1980.

NRA FOODSERVICE TRENDS

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BEEF. Robert Remmele, an economist with the U.S. Department of Agriculture, believes that the impact of the heat wave on beef prices and supplies is small at this point. However, he did admit that if extreme heat and drought conditions continue into mid-August, beef supplies and prices could be more severely affected.

For the short term, Remmele sees a slight increase in both grain fed and grass fed cattle slaughter. Feed lot operators are sending the cattle to market sooner because higher feed costs are cutting into their profits. In addition, damaged pasture lands have caused producers to send grass fed cattle to market sooner than anticipated. Because of this expected increase in beef supplies, prices in the short term are predicted to be lower. USDA expects choice cattle prices to be in the upper $60's per hundred weight (cwt) in the third quarter, a rise of about 5 percent from last year's third quarter. In the fourth quarter, choice cattle prices are expected to rise to the low $70's per cwt because of reduced supplies, an increase of 6 percent from 1979's fourth quarter. Utility cow prices, which reflect the wholesale price of hamburger, are forecast to average in the mid to upper $40's per cwt in the last half of this year, approximating the $48 average of the last six months of 1979.

For the long term, USDA's Remmele foresees 1981 cattle supplies to be lower than previously expected and wholesale prices to rise at a faster pace than this year's 5 percent.

Chase Econometrics' forecast for beef prices and supplies is slightly more pessimistic than USDA's. Chase sees a near term increase in beef supplies which will cause some relief from high beef prices; however, this will result in sharply reduced supplies later this year. Chase economists expect choice cattle prices to rise to $76 per cwt by the end of the year and utility cow prices to rise to the low $50's. For the long term, CEAI forecasts that 1981 cattle prices (which includes choice steers and utility cows) will average $73 per hundred-weight, about 9 percent higher than this year and 2 percentage points above pre-heat wave expectations.

PORK. Pork producers had already planned to reduce production prior to the heat wave due to lower profit margins and anticipated increases in feed costs. Pork supplies will, therefore, be declining during the remainder of this year, and this together with decreased beef and poultry supplies, will result in higher pork prices.

Chase Econometrics predicts wholesale pork prices will rise from a second quarter average of $27.93 per cwt, to a third and fourth quarter average of $39.99 and $41.50 respectively, with second half wholesale pork prices about 29 percent higher than in the first half. Overall, 1980 prices, however, will be nearly 13 percent lower than last year, but significantly lower supplies in 1981 will cause hog prices to rise from an average of $36.22 per cwt to $49.38 per cwt, an increase of 36 percent.

BROILERS. The heat wave has had a devastating impact of this year's broiler production. Approximately six million birds, or 0.6 percent of the third quarter supply, have been lost. If the heat wave continues, losses could become even greater. The hot temperatures have also reduced the egg production of hens which not only lowers market egg supplies but also lowers the number of chicks to be hatched for future broiler supplies.

Chase Econometrics predicts that broiler production will steadily decline during the third and fourth quarters of this year, causing prices to rise. First half broiler prices averaged 41 cents per pound, and second half prices are expected to average 46 cents a pound, an increase of 12 percent.

The outlook for next year shows higher prices because of increased demand due to the economic recovery and reduced supplies of competing meats, especially pork. CEAI expects wholesale broiler prices to average 49 cents a pound, an increase of 11.4 percent from 1980's predicted average of 44 cents a pound. Broiler supplies should equal 11.1 million pounds in 1981, up less than one percent from 1980's production of 11.0 million pounds. On the other hand, beef production will rise only 1 percent while pork production will decline by 10 percent.

Commodity Price Index

COMMODITY	Percent Change 1978-1979	June 79-June 80	6 Mos. 79-6 Mos. 80	May 80-June 80
Bakery Products	10.0%	13.4%	12.8%	0.6%
Flour & Cereal	12.4%	11.4%	16.2%	(1.1%)
Beef & Veal	24.7%	1.2%	0.9%	1.0%
Other Meats	(2.8%)	(13.6%)	(16.5%)	2.1%
Pork	(6.4%)	(14.4%)	(19.7%)	3.5%
Lamb	5.9%	1.4%	(5.6%)	7.4%
Poultry & Eggs	0.7%	(9.5%)	(12.8%)	N.C.
Poultry	(2.8%)	(7.8%)	(13.5%)	(0.3%)
Eggs	11.3%	(14.0%)	(12.0%)	0.8%
Fish & Shellfish	22.6%	(9.7%)	2.0%	(0.1%)
Sugar & Sweets	6.9%	36.4%	25.4%	(0.5%)
Sugar	8.3%	53.8%	37.3%	(0.8%)
Vegetables	2.0%	11.5%	(3.8%)	(0.2%)
Fresh Vegetables	0.5%	13.9%	(7.8%)	(0.8%)
Fruits & Juices	8.7%	1.4%	4.8%	(3.6%)
Fresh Fruit	5.8%	(3.8%)	3.7%	(8.3%)
Beverages	0.8%	14.7%	16.2%	2.1%
Dairy Products	12.1%	10.6%	9.6%	0.4%
Fats & Oils	6.4%	4.3%	6.0%	0.3%
NRA Food Cost Index	12.2%	3.0%	2.6%	0.6%
All Food, Producer Price Index[1]	9.5%	6.2%	3.7%	0.1%

[1] Includes all processed foods (except soft drinks, alcoholic beverages and animal feeds, plus eggs and fresh and dried fruits and vegetables.

Industry Index

RETAIL SALES (000,000)	July 1980	Percent Change vs. Year Ago	Year to Date Sales 1980	Percent Change vs. Year Ago
All Retailers	$77,798	+ 7.6%	$520,227	+ 6.6%
Eating & Drinking Places	$ 7,069	+ 7.2%	$ 46,026	+ 8.4%
Food Stores	$18,138	+13.5%	$120,059	+10.9%

(Source: Bureau of Census, unadjusted data. Subject to revision.)

CONSUMER PRICES (June)	Percent Change vs. Year Ago	Percent Change 1980 to Date vs. Year Ago
Food at Home	+ 5.9%	+ 6.2%
Food Away from Home	+ 9.8%	+10.4%
All Items Less Food	+15.9%	+15.9%

(Source: Bureau of Labor Statistics.)

EATING PLACE INDICATORS (000,000)	May 1980	Percent Change vs. Year Ago	Year to Date Sales	Percent Change vs. Year Ago
Eating Place Sales	$6,201	+9.1%	$28,293	+9.0%

	Percent Change vs. Year Ago	Percent Change Year to Date vs. Year Ago
Real Eating Place Sales (May)	−0.6%	−1.5%

(Sources: Bureau of Census, Bureau of Labor Statistics, NRA calculations. Subject to revision.)

EMPLOYMENT AND EARNINGS	May, 1980	Percent Change vs. Year Ago
Total Employment	4,898,500	+5.4%
Nonsupervisory Employment	4,509,100	+5.6%
Nonsupervisory Average Hourly Earnings	$3.69	+7.6%
Average Weekly Hours	25.8	−1.5%

(Source: Bureau of Labor Statistics.)

ANNOUNCING: PLANNING RESTAURANT STRATEGY IN TURBULENT TIMES

If you are the Chief Executive Officer, a Corporate Planner or a Marketing Executive in the Foodservice Industry, you will find it a must to attend The Second Annual Restaurant Strategic Planning Conference sponsored by the National Restaurant Association and Technomic Consultants. The one day conference will be held on October 29, 1980 in Chicago, Illinois at the O'Hare Hilton and on October 31, 1980 in Los Angeles, California at the Los Angeles Marriott.

At this all day Conference you will examine:

HOW TO ASSESS YOUR CURRENT POSITION IN THE FOODSERVICE INDUSTRY
HOW TO APPLY STRATEGIC PLANNING METHODS IN A FOODSERVICE COMPANY
WHAT THE FUTURE HOLDS FOR THE FOODSERVICE INDUSTRY

Some of the issues to be discussed in the sessions include:

- Consumer trade out versus trade-down
- Staying power of restaurant concepts
- Shakeout/concentration trends
- Fragmentation of segments and markets
- Impact of international influx and expansion
- Specialty focus versus broadened appeal
- Mix of operational and marketing strengths
- The aging of the baby boom segment

If you desire more information about this strategic planning conference, simply complete the accompanying form and mail to: NATIONAL RESTUARANT ASSOCIATION, Planning Department, 311 First Street, N.W., Washington, D.C. 20001 or call (202) 638-6100.

I am interested in the SECOND ANNUAL RESTAURANT STRATEGIC PLANNING CONFERENCE sponsored by the National Restaurant Association and Technomic Consultants.

Please send more information and registration materials to me at the following address:

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NATIONAL
RESTAURANT
ASSOCIATION

FOODSERVICE TRENDS

a supplement to the
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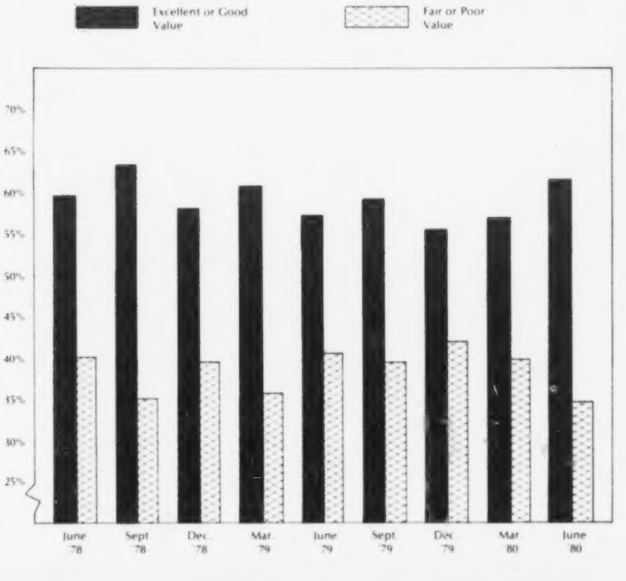
October 24, 1980

VALUE PERCEPTION OF RESTAURANT MEALS IS RISING

NRA's quarterly Gallup survey question indicates that overall consumer perception of the value of meals eaten away from home compared to other goods and services has been steadily rising since December of last year. As shown in the accompanying chart, the proportion who consider their meal an excellent or good value for the money has increased from a low of 56 percent in December of last year to 62 percent in June. On the other hand, the proportion expressing dissatisfaction has steadily declined during the past six months from a high of 42 percent in December to 35 percent in June. Less rapid increases in menu prices during the second quarter of this year and widespread usage of promotions have probably contributed to the improved value perception of restaurant meals by consumers.

The most recent survey results for June 1980 show that consumer's favorable perception of the value of restaurant meals was up five percentage points from March 1980. (We use the percentage of excellent and good ratings to indicate favorable value perception, and the percentage of fair and poor ratings to indicate dissatisfaction.) Sixty-two percent of the respondents in June 1980 versus 57 percent in March 1980 reported that their most recent meal eaten at a restaurant was either a good or excellent value compared to other goods and services. Thirty-five percent rated the meal away from home as only a fair or poor value, down considerably from 40 percent in March.

Value of Meals Versus Other Products and Services



Lower Income Families See Less Value in Dining Out

A look at value perception by family income shows that lower income families are less likely to consider a meal away from home a good value for their money. Fifty-one percent of those in the under $10,000 income bracket considered their last meal out an excellent or good value compared to 62 percent for all respondents. However, the overall favorable value perception by this lowest income segment rose from 47 percent in June 1979 to 51 percent in June 1980. The excellent and good value perception remained virtually unchanged at 62 percent for the $20,000 and over income segment and rose substantially for the two middle income groups.

Dissatisfaction with value perception for restaurant meals has declined during the past year for all income groups, with the largest drops in dissatisfaction occurring within the $10,000 to $14,999 and the $15,000 to $19,999 categories. More moderate increases in menu prices during the first half of this year have most likely

NOTICE TO OUR READERS

We have adopted a new publishing schedule for *Foodservice Trends* which we believe will still provide our readers with pertinent information on the industry on a monthly basis. For six months of each year we will publish our usual 12 page issue complete with information on food prices and supplies, industry sales forecasts, CREST and overall economic data. In the remaining six months we will publish a four page supplement to the *Washington Report,* similar to the one you find here and the one in the September 26, 1980 issue.

We feel that such a move will not only reduce the number of mailing items received by the members but also help the NRA to economize on its publication and mailing costs.

Value Perception of Restaurant Meals by Household Income

	UNDER $10,000		$10,000-$14,999		$15,000-$19,999		$20,000 & OVER	
	JUNE '79	JUNE '80	JUNE '79	JUNE '80	JUNE '79	JUNE '80	JUNE '79	JUNE '80
Excellent Value	15%	8%	11%	19%	16%	16%	17%	24%
Good Value	32%	43%	33%	41%	33%	56%	44%	38%
Only Fair Value	30%	43%	37%	37%	39%	23%	28%	26%
Poor Value	19%	—	16%	3%	10%	3%	10%	8%
Don't Know	4%	6%	3%	—	2%	2%	1%	4%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%

Value Perception of Restaurant Meals by Restaurant Type

	FAMILY		FAST FOOD		CAFETERIA		ATMOSPHERE	
	JUNE '79	JUNE '80	JUNE '79	JUNE '80	JUNE '79	JUNE '80	JUNE '79	JUNE '80
Excellent Value	22%	26%	5%	8%	28%	17%	18%	32%
Good Value	45%	42%	42%	43%	16%	32%	50%	42%
Only Fair Value	25%	24%	38%	35%	22%	39%	25%	20%
Poor Value	6%	4%	15%	14%	26%	9%	7%	2%
Don't Know	2%	4%	—	—	8%	3%	—	4%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%

helped to lower the level of unfavorable value perception for restaurant meals.

Atmosphere/Specialty and Family Restaurants Continue To Have Best Value Perception

Family type and atmosphere/specialty restaurants have higher value perception ratings than either fast food restaurants or cafeterias, according to the respondents in this Gallup poll. However, favorable value perception at all four of these restaurant types rose between June 1979 and June 1980, with the largest percentage point increase at atmosphere/specialty restaurants. These recent survey findings show a substantial rise in excellent value ratings at atmosphere restaurants, with 32 percent of the respondents in June 1980 indicating that the value of a meal at atmosphere restaurants was excellent, up 14 percentage points from the previous year. An increase in excellent value perceptions by consumers was also noted at family restaurants and fast food restaurants, while a considerable decrease in those who consider a meal at a cafeteria to be an excellent value is evident. In addition, the proportion of respondents who consider cafeteria meals only a fair value rose from 22 percent in June 1979 to 39 percent in June 1980. CREST information has indicated that cafeteria menu prices have been rising faster than overall restaurant prices, and as a result, many consumers may feel that they are not receiving a meal worthy of the price they must pay.

NRA FOODSERVICE TRENDS

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Dinner Receives High Favorable Value Rating

Of the three major meal periods, respondents in this most recent survey consider dinner to offer the best value. Seven out of ten respondents indicate that they receive excellent or good value for their money when they dine out for dinner. This compares to a favorable rating for all restaurant meals of 62 percent and for breakfast and lunch of 49 percent and 59 percent respectively.

Convenience Is Important Factor in Eating Out

In this most recent Gallup survey respondents were asked how convenient it would have been to have prepared a meal at home similar to the one eaten at a restaurant. In six out of ten instances in which a meal was eaten out, respondents reported it would not have been at all convenient or not very convenient for them to have prepared a similar meal at home. More significant in this data, however, is the twelve percentage point increase seen over the past two years in the proportion saying the preparation of such a meal would have been very inconvenient. This may be an indication that respondents are dining out more frequently due to necessity rather than as a luxury.

Analysis of the responses to this question indicates that convenience of preparing a meal at home versus eating out is closely associated with the type of restaurant where the meal is eaten. Over half the respondents indicate that it is not very convenient to prepare a similar meal at home to one eaten out at an atmosphere/specialty restaurant. On the other hand, four out of ten respondents indicate that it would be very convenient or somewhat convenient to prepare the same meal at home that they receive in a fast food or family type restaurant.

How Convenient Would It Have Been To Have Prepared This Meal at Home

	PERCENT OF RESPONDENTS		
	JUNE 1978	JUNE 1979	JUNE 1980
Very Convenient	19%	19%	19%
Somewhat Convenient	25%	18%	17%
Not Very Convenient	20%	18%	16%
Not At All Convenient	32%	38%	44%
Don't Know	4%	7%	4%
Total	100%	100%	100%

OUTLOOK: WHOLESALE MEAT PRICES AND SUPPLIES

This year's drought and hot weather have had a considerable impact on food prices during the past few months, and the effects will continue to be felt throughout much of 1981. For the first nine months of this year, wholesale food costs averaged 6.2 percent higher than in the same period last year, according to Producer Price Index data. The month-to-month increase between August and September of 0.1 percent was substantially lower than that of the previous two month-to-month advances of 3.5 percent and 3.2 percent because of declining livestock prices. Livestock producers found it was more economical to sell their animals than to keep them on feed, and as a result, supplies increased and prices declined. Agriculture Department economists, however, expect wholesale meat prices to begin rising at a faster pace by the end of this year and throughout much of 1981.

The National Restaurant Association's Food Cost Index, which measures wholesale food costs for restaurants, averaged 4.7 percent higher in the first nine months of this year versus the same period last year. Prices for beef, pork, poultry, sugar and dairy products have all averaged higher during the first three quarters of this year and have contributed to the rise in wholesale food costs for our industry.

The following paragraphs will briefly summarize the short term outlook for red meat and poultry supplies and prices. We will be providing more detailed data on the 1981 agricultural outlook in our December forecast issue of *Foodservice Trends*.

BEEF. Total beef production in the last half of this year is expected to approach year-earlier levels, primarily due to increased slaughter of non-grain fed cattle. Higher feed costs and dried up pasture-lands have contributed to increased slaughter of grass fed cattle, and Robert Remmele of the U.S. Department of Agriculture expects this rise to continue into the first quarter of 1981. Grass fed beef is a major source of hamburger meat.

Feedlot placements in the second half of this year will be above year-earlier levels, but sharply higher feed grain prices, particularly corn, will moderate this rate of increase. As a result, gains in grain fed beef production will slow in the fourth quarter and early 1981. Grain fed cattle are the primary source of choice cuts of meat which are extensively used in our industry.

Grain fed beef prices will be rising in the fourth quarter of this year and in the first quarter of 1981 due to lower supplies of beef and competing meats as well as increased consumer demand. USDA economists expect prices to rise from an average of $70 per hundredweight (cwt) in the third quarter to an average of $75 in the fourth quarter. Chase Econometrics also predicts a fourth quarter average in the mid $70's and an increase to $76.50 in the first three months of next year.

Utility cow prices, which reflect the wholesale price of hamburger, will drop from $50.43 per cwt in this year's third quarter to $50.35 in the fourth quarter. An increase in supplies is the main reason for this price decline. However, utility cow prices will rise 7.5 percent

COMMODITY PRICE INDEX

COMMODITY	Percent Change 1978-1979	Sept. 79-Sept. 80	9 Mos. 79-9 Mos. 80	Aug. 80-Sept. 80
Bakery Products	10.0%	9.3%	12.1%	0.5%
Flour & Cereal	12.4%	8.7%	13.2%	1.8%
Beef & Veal	24.7%	3.6%	4.0%	(4.3%)
Other Meats	(2.8%)	12.0%	(20.2%)	1.3%
Pork	(6.4%)	12.5%	(10.1%)	1.0%
Lamb	5.9%	5.9%	(0.3%)	(2.8%)
Poultry & Eggs	0.7%	24.7%	(3.0%)	6.6%
Poultry	(2.8%)	31.9%	(1.4%)	6.6%
Eggs	11.3%	7.4%	(7.2%)	6.5%
Fish & Shellfish	22.6%	(5.9%)	(0.9%)	(0.8%)
Sugar & Sweets	6.9%	41.6%	30.2%	(0.8%)
Sugar	8.3%	57.1%	43.0%	(1.6%)
Vegetables	2.0%	33.6%	3.2%	7.0%
Fresh Vegetables	0.5%	53.6%	2.2%	10.2%
Fruits & Juices	8.7%	7.0%	4.9%	(0.1%)
Fresh Fruit	5.8%	12.6%	4.7%	(0.3%)
Beverages	0.8%	1.4%	11.8%	(2.1%)
Dairy Products	12.1%	7.2%	9.2%	0.5%
Fats & Oils	6.4%	3.1%	5.2%	(0.1%)
NRA Food Cost Index	12.2%	8.1%	4.7%	(0.6%)
All Food, Producer Price Index[1]	9.5%	11.4%	6.2%	0.1%

[1] Includes all processed foods (except soft drinks, alcoholic beverages and animal feeds) plus eggs and fresh and dried fruits and vegetables.

SOURCES: *Producer Price Index*, Bureau of Labor Statistics; NRA.

between the fourth quarter and next year's first quarter. Although supplies will continue to increase, rising consumer demand for low cost meats and considerably lower supplies of competing meats will force prices to move upward.

PORK. Pork production in 1980 will be about 8 percent higher than in 1979, 16.5 billion pounds versus 15.3 billion pounds. Because producers have been losing money during much of this year, they have begun to cut back production. In the fourth quarter production will be off 3 percent from year-earlier levels. Declines in pork production are also expected in the first quarter of 1981, and overall 1981 production will be down about 10 percent, according to USDA officials.

Prices at the wholesale level are expected to average $45 per hundredweight in the fourth quarter, similar to the average in this year's third quarter. USDA analysts expect prices to rise above this average by late this year because of reduced hog production and competing supplies of broilers. Chase Econometrics expects first quarter 1981 pork prices to be about 11 percent higher than in this year's fourth quarter.

Industry Index

RETAIL SALES (000,000)	Sept. 1980	Percent Change vs. Year Ago	Year to Date Sales Sept. 1980	Percent Change vs. Year Ago
All Retailers	$75,540	+5.2%	$679,099	+ 6.3%
Eating & Drinking Places	$ 6,812	+6.6%	$ 60,393	+ 8.3%
Food Stores	$17,365	+9.2%	$156,164	+11.0%

(Source: Bureau of Census, unadjusted data. Subject to revision.)

CONSUMER PRICES (August)	Percent Change vs. Year Ago	Percent Change 1980 to Date vs. Year Ago
Food at Home	+ 9.6%	+ 6.7%
Food Away from Home	+ 9.3%	+10.1%
All Items Less Food	+13.6%	+15.4%

(Source: Bureau of Labor Statistics.)

EATING PLACE INDICATORS (000,000)	July 1980	Percent Change vs. Year Ago	Year to Date Sales	Percent Change vs. Year Ago
Eating Place Sales	$6,319	+7.2%	$40,849	+8.3%

	Percent Change vs. Year Ago	Percent Change Year to Date vs. Year Ago
Real Eating Place Sales (July)	−2.2%	−1.9%

(Sources: Bureau of Census, Bureau of Labor Statistics, NRA calculations. Subject to revision.)

EMPLOYMENT AND EARNINGS	June, 1980	Percent Change vs. Year Ago
Total Employment	4,944,900	+5.1%
Nonsupervisory Employment	4,552,400	+5.2%
Nonsupervisory Average Hourly Earnings	$3.66	+6.7%
Average Weekly Hours	26.5	−0.8%

(Source: Bureau of Labor Statistics.)

CHICKEN. Robert Remmele, USDA livestock analyst, expects chicken production in 1980 to equal 10.9 billion pounds, similar to last year's production. However, production in the last half of this year has been considerably below year-earlier levels, primarily because the extreme heat this past summer killed about 10 million birds. In addition, producers had begun to cut back on chicken production because of the low prices received during the first half of 1980. Next year production will begin to pick up slightly, but overall it is expected to be up only 3 percent.

USDA's Remmele expects broiler prices to weaken this Fall because of seasonally weak demand. Third quarter broiler price averaged about 52 cents a pound, up over 10 cents from the second quarter average. Fourth quarter prices are predicted to drop to 48 cents, and overall 1980 prices will average about 46 cents a pound, an increase of 4 percent from last year.